

**HAWKSTONE YACHT CLUB LTD.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**(UNAUDITED)**

*DRAFT - October 29, 2015*

**SMITH, SYKES, LEEPER & TUNSTALL LLP**

**CHARTERED PROFESSIONAL ACCOUNTANTS**

**LICENSED PUBLIC ACCOUNTANTS**

**HAWKSTONE YACHT CLUB LTD.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

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*DRAFT - October 29, 2015*

**REVIEW ENGAGEMENT REPORT**

To the Members of,  
Hawkstone Yacht Club Ltd.

We have reviewed the statement of financial position of **Hawkstone Yacht Club Ltd.** as at **September 30, 2015** and the statements of operations, retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Barrie, Ontario.  
TBD.

**CHARTERED ACCOUNTANTS**  
**Licensed Public Accountants**

**HAWKSTONE YACHT CLUB LTD.**  
(Incorporated Under the Laws of Ontario)  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2015**  
(UNAUDITED)

|  | <b>2015</b>       | <b>(September 30)<br/>2014</b> |
|--|-------------------|--------------------------------|
| <b><u>ASSETS</u></b>                           |                   |                                |
| <b>CURRENT ASSETS</b>                          |                   |                                |
| Cash   | \$ 151,260        | \$ 103,624                     |
| Accounts receivable                            | 3,060             | 224                            |
| Inventory                                      | 64                | 0                              |
| Government receivable                          | <u>0</u>          | <u>613</u>                     |
|  | <b>154,384</b>    | <b>104,461</b>                 |
| Restricted cash (Note 4)                       | 33,500            | 33,500                         |
| Capital assets (Note 5)                        | <u>421,122</u>    | <u>420,944</u>                 |
|  | <b>\$ 609,006</b> | <b>\$ 558,905</b>              |
| <b><u>LIABILITIES</u></b>                      |                   |                                |
| <b>CURRENT LIABILITIES</b>                     |                   |                                |
| Accounts payable and accrued expenses          | \$ 2,661          | \$ 4,879                       |
| Government remittances payable                 | <u>15</u>         | <u>0</u>                       |
| Membership subscriptions (Note 6)              | 113,100           | 107,100                        |
| Major repair reserve (Note 7)                  | <u>28,000</u>     | <u>28,000</u>                  |
|  | <b>143,776</b>    | <b>139,979</b>                 |
| <b><u>NET ASSETS</u></b>                       |                   |                                |
| Capital stock (Note 8)                         | 33,500            | 33,500                         |
| Net assets invested in capital assets (Note 9) | 421,122           | 420,944                        |
| Unrestricted net assets                        | <u>10,608</u>     | <u>(35,518)</u>                |
|  | <b>465,230</b>    | <b>418,926</b>                 |
|  | <b>\$ 609,006</b> | <b>\$ 558,905</b>              |

Approved on Behalf of the Board,

\_\_\_\_\_, Director.

\_\_\_\_\_, Director.

*The accompanying notes are an integral part of these financial statements.*

**HAWKSTONE YACHT CLUB LTD.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
(UNAUDITED)

|   | <u>2015</u>              |                                       |                                    |                   | <u>2014</u>  |                |
|---|--------------------------|---------------------------------------|------------------------------------|-------------------|--------------|----------------|
|   | <b>Capital<br/>Stock</b> | <b>Invested in<br/>capital assets</b> | <b>Unrestricted<br/>net assets</b> | <b>Total</b>      | <b>Total</b> |                |
| Net assets, beginning of the year                         | 33,500                   | \$ 420,944                            | \$ (35,518)                        | \$ 418,926        | \$           | 406,058        |
| Excess of revenue over expenses                           | 0                        | 0                                     | 46,304                             | 46,304            |              | 14,868         |
| Changes in net assets invested in capital assets (Note 9) | 0                        | 178                                   | (178)                              | 0                 |              | 0              |
| Share redemptions (Note 8)                                | 0                        | 0                                     | 0                                  | 0                 |              | (2,000)        |
| <b>NET ASSETS, END OF<br/>THE YEAR</b>                    | <b>\$ 33,500</b>         | <b>\$ 421,122</b>                     | <b>\$ <del>10,608</del></b>        | <b>\$ 465,230</b> | <b>\$</b>    | <b>418,926</b> |

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*The accompanying notes are an integral part of these financial statements.*

**HAWKSTONE YACHT CLUB LTD.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
(UNAUDITED)

|  | 2015             | 2014             |
|--|------------------|------------------|
| <b>REVENUE</b>                         |                  |                  |
| Membership and harbour fees            | \$ 98,563        | \$ 83,314        |
| Service revenues                       | 19,368           | 19,367           |
| Rental income                          | 12,139           | 11,459           |
| Social events                          | 3,556            | 10,201           |
| Interest income                        | 48               | 92               |
|  | <b>133,674</b>   | <b>124,433</b>   |
| <b>OPERATING EXPENSES</b>              |                  |                  |
| Repairs and maintenance                | 21,900           | 46,517           |
| Social events                          | 17,673           | 11,846           |
| Crane costs                            | 13,980           | 14,658           |
| Utilities                              | 8,679            | 9,161            |
| Insurance                              | 5,958            | 5,592            |
| Property taxes                         | 5,141            | 5,223            |
| Professional fees                      | 3,750            | 1,580            |
| Amortization                           | 3,322            | 3,669            |
| Rent                                   | 2,726            | 2,387            |
| Telephone                              | 2,195            | 1,055            |
| Office and general                     | 1,270            | 1,977            |
| Bank charges and interest              | 516              | 969              |
| Racing and regalia costs               | 260              | 4,881            |
| Bad debts                              | 0                | 50               |
|  | <b>87,370</b>    | <b>109,565</b>   |
| <b>EXCESS OF REVENUE OVER EXPENSES</b> | <b>\$ 46,304</b> | <b>\$ 14,868</b> |

*The accompanying notes are an integral part of these financial statements.*

**HAWKSTONE YACHT CLUB LTD.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
**(UNAUDITED)**

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>CASH PROVIDED BY (USED FOR)</b>                  |                   |                   |
| <b>OPERATIONS</b>                                   |                   |                   |
| Excess of revenue over expenses for the year        | \$ 46,304         | \$ 14,868         |
| Items not requiring an outlay of cash:              |                   |                   |
| Amortization  | <u>3,322</u>      | <u>3,669</u>      |
|   | <b>49,626</b>     | <b>18,537</b>     |
| <b>Changes in operating working capital</b>         |                   |                   |
| Accounts receivable                                 | (2,836)           | 20,726            |
| Inventory   | (64)              | 0                 |
| Bank loan   | 0                 | (1,976)           |
| Accounts payable and accrued expenses               | (9,218)           | (866)             |
| Government remittances payable                      | <u>628</u>        | <u>0</u>          |
|   | <b>(11,490)</b>   | <b>17,884</b>     |
| <b>CASH PROVIDED BY OPERATIONS</b>                  | <b>38,136</b>     | <b>36,421</b>     |
| <b>FINANCING</b>                                    |                   |                   |
| Increase in (repayment of) membership subscriptions | 6,000             | (3,300)           |
| Increase in major repair reserve                    | 0                 | 10,000            |
| Capital stock (redemption)                          | <u>0</u>          | <u>(2,000)</u>    |
| <b>CASH PROVIDED BY FINANCING</b>                   | <b>6,000</b>      | <b>4,700</b>      |
| <b>INVESTING</b>                                    |                   |                   |
| Additions to property, plant and equipment          | <u>3,500</u>      | <u>0</u>          |
| <b>CASH PROVIDED BY INVESTING</b>                   | <b>3,500</b>      | <b>0</b>          |
| <b>NET CHANGE IN CASH POSITION</b>                  | <b>47,636</b>     | <b>41,121</b>     |
| Cash position, beginning of the year                | 137,124           | 96,003            |
| <b>CASH POSITION, END OF THE YEAR</b>               | <b>\$ 184,760</b> | <b>\$ 137,124</b> |
| Cash position consists of:                          |                   |                   |
| Cash  | \$ 151,260        | \$ 103,624        |
| Restricted cash                                     | <u>33,500</u>     | <u>33,500</u>     |
|   | <u>184,760</u>    | <u>137,124</u>    |

*The accompanying notes are an integral part of these financial statements.*

**HAWKSTONE YACHT CLUB LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**  
(UNAUDITED)

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**1. NATURE OF THE BUSINESS -**

Hawkstone Yacht Club Ltd. is a member operated yacht club and is incorporated under the laws of the Province of Ontario. The objective of the yacht club is to provide harbour access, facilities and services to its membership.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and include the following significant accounting policies:

**Estimates and assumptions -**

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at September 30, 2015 and the reported amounts of the revenues and expenses for the year ended September 30, 2015. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets and accruals. Actual results could differ from those estimates.

**Cash and cash equivalents -**

Cash and cash equivalents include highly liquid investments with original maturities of 90 days or less when purchased. The Organization maintains cash and cash equivalents with its financial institution in excess of federally insured limits and is therefore exposed to the credit risk from this concentration of cash and cash equivalents.

**Financial instruments -**

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income. Financial assets and liabilities measured at amortized cost include cash, accounts receivable, government remittances payable, accounts payable and accrued expenses, membership subscriptions and the major repair reserve. There are currently no financial instruments subsequently measured at fair value.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Any reversal is recognized in net income. There are no impairments in the current year.

**Income taxes -**

The Organization is exempt from income tax under paragraph 149(1)(l) of the Income Tax Act. No part of the income is payable or otherwise available for the personal benefit of any member or shareholder.

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**HAWKSTONE YACHT CLUB LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**  
(UNAUDITED)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition -**

The Organization follows the deferral method of accounting for contributions.

- Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions are deferred and taken into revenue when the funds are spent.
- Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.
- Externally restricted contributions used to purchase land are recorded as a direct increase in net assets invested in capital assets.

Initiation fees are externally restricted for the purpose of major repairs and as such are recorded as deferred until such expenditures are incurred.

Membership fees, harbour fees and service revenues are recognized when earned, collection is reasonably assured and all significant obligations have been fulfilled.

Rental income is recorded on an accrual basis.

Social events revenues are recorded on an accrual basis depending on the date when the event takes place.

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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Organization is exposed to the following risks related to its financial assets and liabilities:

**Liquidity risk -**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable, accrued expenses, membership subscriptions and reserves.

**Credit risk -**

Credit risk arises from the possibility that the membership to which the Organization provides services may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the membership payment history. The Organization provides an allowance on receivables based on a review of the current status of existing receivables and management's evaluation of periodic aging of accounts. There is no allowance for doubtful accounts at year-end.

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**HAWKSTONE YACHT CLUB LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**  
(UNAUDITED)

**4. RESTRICTED CASH**

Resulting from the 2009 conversion from share membership to subscription membership the Organization has setup a trust account to buy back the outstanding shares.

**5. CAPITAL ASSETS**

|           | <u>Cost</u>         | <u>Accumulated<br/>Amortization</u> | <u>Net<br/>2015</u> | <u>Net<br/>2014</u> |
|-----------|---------------------|-------------------------------------|---------------------|---------------------|
| Land      | \$ 365,105          | \$ 0                                | \$ 365,105          | \$ 365,105          |
| Building  | 180,407             | 132,988                             | 47,419              | 49,394              |
| Equipment | <u>485,284</u>      | <u>476,686</u>                      | <u>8,598</u>        | <u>6,445</u>        |
|           | <u>\$ 1,030,796</u> | <u>\$ 609,674</u>                   | <u>\$ 421,122</u>   | <u>\$ 420,944</u>   |

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

|           |                        |
|-----------|------------------------|
| Building  | -4% declining balance  |
| Equipment | -20% declining balance |

**6. MEMBERSHIP SUBSCRIPTIONS**

Membership subscriptions are charged upon initiation and are refundable to members, as such are recorded as a liability.

**7. MAJOR REPAIRS RESERVE**

The major repairs reserve consists of deferred contributions. Amounts received upon initiation of each member are externally restricted for the purpose of major repair work. In the current year no amounts have been spent.

**8. CAPITAL STOCK**

In 2009 the Organization converted from share based membership to subscription based membership. The remaining amount of unredeemd share capital is disclosed below. The Organization has set aside funds (as described in Note 4) to redeemed the remaining share capital.

|                       | <u>2015</u>      | <u>2014</u>      |
|-----------------------|------------------|------------------|
| Authorized and Issued |                  |                  |
| 280 preferred shares  | \$ 28,000        | \$ 28,000        |
| 29 common shares      | <u>5,500</u>     | <u>5,500</u>     |
|                       | <u>\$ 33,500</u> | <u>\$ 33,500</u> |

During the year, 20 preferred shares were redeemed for \$- (2014 - 10 Preference shares for \$2,000 and 1 common share for \$300).

**HAWKSTONE YACHT CLUB LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**  
(UNAUDITED)

**9. NET ASSETS INVESTED IN CAPITAL ASSETS**

The net assets invested in capital assets consists of the following:

|                                       | <b><u>2015</u></b> | <b><u>2014</u></b> |
|---------------------------------------|--------------------|--------------------|
| Net book value of capital assets      | \$ <u>421,122</u>  | \$ <u>420,944</u>  |
| Net assets invested in capital assets | \$ <u>421,122</u>  | \$ <u>420,944</u>  |

The changes in net assets invested in capital assets is calculated as follows:

|   |                 |                   |
|---|-----------------|-------------------|
| Purchase of capital assets                      | \$ <u>3,500</u> | \$ 0              |
| Amortization                                    | (3,322)         | (3,669)           |
| Amortization of deferred contributions          | 0               | 0                 |
| Current year capital assets contributions       | <u>0</u>        | <u>0</u>          |
| Change in net assets invested in capital assets | \$ <u>178</u>   | \$ <u>(3,669)</u> |

DRAFT - October 29, 2015