

NEWPORT YACHT CLUB - STONEY CREEK INC.

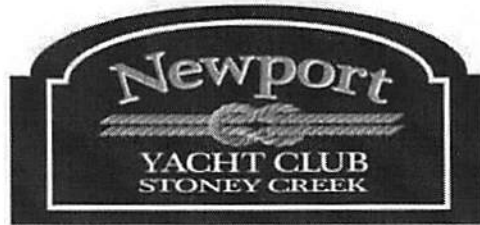
Financial Statements

Year Ended September 30, 2018

NEWPORT YACHT CLUB - STONEY CREEK INC.

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Year Ended September 30, 2018**

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Newport Yacht Club - Stoney Creek Inc. have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Newport Yacht Club - Stoney Creek Inc.'s reporting systems are achieved through the use of formal policies and procedure and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commodore and Treasurer carries out this responsibility and meets periodically to review significant accounting, reporting and internal control matters. Following the Board's review of the financial statements the Board of Directors approves the financial statements. The Commodore and Treasurer also considers and recommends the accounting firm for review by the Board and approval by the members, the engagement or re-appointment of the external accountants.



Mr Michael Rushton, Commodore



Mr. Douglas Greenaway, Treasurer

Stoney Creek, ON
November 09, 2018

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Newport Yacht Club - Stoney Creek Inc.

We have reviewed the accompanying financial statements of Newport Yacht Club - Stoney Creek Inc. that comprise the statement of financial position as at September 30, 2018 and the statements of revenues and expenditures, 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

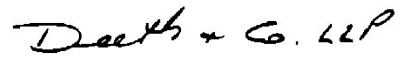
A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Newport Yacht Club - Stoney Creek Inc. as at September 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian Accounting Standards for Not-for-Profit Organizations.

Burlington, Ontario
November 9, 2018


Deeth & Co. LLP
Chartered Professional Accountants
Licensed Public Accountants

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Financial Position

September 30, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and equivalents	\$ 51,333	\$ 63,089
Term deposits <i>(Note 10)</i>	369,151	381,649
Accounts receivable	2,774	4,142
Inventory	537	2,567
Prepaid expenses	3,888	3,083
Harmonized sales tax recoverable	7,964	337
	<u>435,647</u>	454,867
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	504,535	469,871
SECURITY DEPOSIT	<u>3,200</u>	3,200
	<u>\$ 943,382</u>	\$ 927,938
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 8,184	\$ 17,141
Current portion of long term debt <i>(Note 5)</i>	26,269	25,570
Current portion of exclusive mooring rights <i>(Notes 6, 9)</i>	37,047	31,405
Employee deductions payable	-	707
Deferred income	1,925	7,614
	<u>73,425</u>	82,437
OTHER LONG TERM LIABILITIES <i>(Note 7)</i>	8,614	9,304
LONG TERM DEBT <i>(Note 5)</i>	437,507	463,776
EXCLUSIVE MOORING RIGHTS - MEMBER LOANS <i>(Notes 6, 9)</i>	<u>367,814</u>	408,138
	887,360	963,655
NET ASSETS	<u>56,022</u>	(35,717)
	<u>\$ 943,382</u>	\$ 927,938

ON BEHALF OF THE BOARD

_____ *Commodore*

_____ *Treasurer*

The accompanying notes are an integral part of these financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Revenues and Expenditures

Year Ended September 30, 2018

	2018	2017
TRADE SALES		
Dock rental	\$ 182,119	\$ 184,914
Membership fees	30,250	29,350
Social committee	17,323	14,502
Regatta	15,470	8,474
Miscellaneous revenue	6,066	3,548
Initiation fees	5,882	5,229
Winter storage	3,100	5,643
Interest income	2,609	1,754
	262,819	253,414
EXPENSES		
Repairs and maintenance	39,925	8,850
Utilities	24,418	23,920
Interest on long term debt	18,403	14,366
Amortization	19,098	15,612
Property taxes	12,003	11,631
Insurance	9,841	9,192
Regattas and poker run	9,832	6,520
Social committee	7,111	9,080
Professional fees	6,740	13,115
Supplies	4,881	4,566
Advertising and promotion	4,435	5,644
Bad debts	2,965	-
New member incentive	2,750	11,300
Security	2,084	2,033
Rental	2,042	-
Telephone	1,496	936
Office and miscellaneous	1,082	557
Dredging <i>(Note 3)</i>	964	47,911
Bank charges	892	1,222
Salaries and wages	118	14,002
Membership fees	-	599
	171,080	201,056
EXCESS OF TRADE SALES OVER EXPENSES	\$ 91,739	\$ 52,358

The accompanying notes are an integral part of these financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Changes in Net Assets

Year Ended September 30, 2018

	General Fund	Restricted Fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ (35,717)	\$ -	\$ (35,717)	\$ (88,075)
EXCESS OF TRADE SALES OVER EXPENSES	91,739	-	91,739	52,358
NET ASSETS - END OF YEAR	\$ 56,022	\$ -	\$ 56,022	\$ (35,717)

The accompanying notes are an integral part of these financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Cash Flows

Year Ended September 30, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of trade sales over expenses	\$ 91,739	\$ 52,358
Item not affecting cash:		
Amortization of property, plant and equipment <i>(Note 4)</i>	19,098	15,612
	<u>110,837</u>	<u>67,970</u>
Changes in non-cash working capital:		
Accounts receivable	1,368	(3,005)
Inventory	2,030	145
Accounts payable and accrued liabilities	(8,957)	(13,667)
Deferred income	(5,689)	3,811
Prepaid expenses	(805)	(256)
Harmonized sales tax payable	(7,627)	(1,128)
Employee deductions payable	(707)	116
	<u>(20,387)</u>	<u>(13,984)</u>
Cash flow from operating activities	<u>90,450</u>	<u>53,986</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment <i>(Note 4)</i>	<u>(53,762)</u>	-
FINANCING ACTIVITIES		
Exclusive mooring rights - member loans <i>(Note 6)</i>	(34,682)	(35,210)
Other long term liabilities <i>(Note 7)</i>	(690)	(9,305)
Proceeds from long term financing	-	500,000
Repayment of long term debt <i>(Note 5)</i>	(25,570)	(225,654)
Cash flow from (used by) financing activities	<u>(60,942)</u>	<u>229,831</u>
INCREASE (DECREASE) IN CASH FLOW	(24,254)	283,817
Cash - beginning of year	<u>444,738</u>	<u>160,921</u>
CASH - END OF YEAR	\$ 420,484	\$ 444,738
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ (2,609)</u>	<u>\$ (1,754)</u>
Interest paid	<u>\$ 18,402</u>	<u>\$ 14,368</u>
CASH CONSISTS OF:		
Cash and equivalents	\$ 51,333	\$ 63,089
Term deposits	<u>369,151</u>	<u>381,649</u>
	<u>\$ 420,484</u>	<u>\$ 444,738</u>

The accompanying notes are an integral part of these financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements Year Ended September 30, 2018

1. PURPOSE OF THE CLUB

Newport Yacht Club - Stoney Creek Inc. was incorporated provincially under the Not-for-profit Corporations Act of Ontario on November 9, 2011.

The Club operates to provide social and recreational facilities for its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO).

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than one year.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a straight-line basis at the following rates and methods:

Land and water rights		non-depreciable
Buildings	25 years	straight-line method
Club boats	10 years	straight-line method
Dock installations	10 years	straight-line method
Tent	10 years	straight-line method
Fencing	10 years	straight-line method

The Club regularly reviews its property, plant and equipment to eliminate obsolete items.

Financial instruments

The Club initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Club subsequently measures all its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include cash and equivalents, accounts receivable, harmonized sales tax recoverable and the security deposit. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee deductions payable, long term debt and exclusive mooring rights - member loans.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income.

(continues)

NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements

Year Ended September 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue recognition

The Club recognizes revenues as follows:

- initiation fees are recognized as revenue upon acceptance into membership.
- membership fees are recognized in the period in which the related service is provided.
- other sources of revenue are recognized in the period in which they are earned and when collection is reasonably assured.

Contributed services

The Club is dependent upon the voluntary services of its members. No provision has been made for services contributed by individual volunteers as the value of such services cannot be reasonably measured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. The principal estimates used in these financial statements are the allowance for doubtful accounts, accrued liabilities, deferred income, estimated useful lives of property, plant and equipment and provision for inventory obsolescence. Actual results could differ from these estimates.

3. MEASUREMENT UNCERTAINTY

In the normal course of the Club's operations, the Club has been required to incur costs to dredge the floor of the lake in the area surrounding water access from the Club into Lake Ontario.

In the first three seasons of operation, Newport Yacht Club had to dredge large quantities to remove years of built up sediment. During the 2015 through 2018 season, the Club only had to perform a minor "clean up" of the entrance.

The weather and wave action will always have an impact on future dredging. However, it is impossible to forecast accurately, and therefore no further accrual for future costs has been made to these financial statements. The Club does anticipate that some amount of dredging may be required every year.

NEWPORT YACHT CLUB - STONEY CREEK INC.

**Notes to Financial Statements
Year Ended September 30, 2018**

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land and water rights	\$ 400,339	\$ -	\$ 400,339	\$ 400,339
Buildings	21,083	422	20,661	-
Club boats	4,050	203	3,847	-
Dock installations	132,331	76,444	55,887	44,816
Tent	19,810	9,049	10,761	8,417
Fencing	32,599	19,559	13,040	16,299
	\$ 610,212	\$ 105,677	\$ 504,535	\$ 469,871

5. LONG TERM DEBT

	2018	2017
TD Mortgage loan bearing interest at 3.9% compounded monthly, repayable in monthly blended payments of \$3,664. The loan matures on April 25, 2022. The loan is amortized over a 15 year period to 2032.	\$ 463,776	\$ 489,346
Amounts payable within one year.	(26,269)	(25,570)
	\$ 437,507	\$ 463,776

Principal repayment terms are approximately:

2019	\$ 26,269
2020	27,312
2021	28,396
2022	381,799
	\$ 463,776

6. EXCLUSIVE MOORING RIGHTS - MEMBER LOANS

The amounts due to exclusive mooring rights (EMRs) members are non-interest bearing and unsecured. Amounts are repaid to members over a two year period upon the EMR ceasing to be a member or by giving notice to surrender the exclusive mooring rights back to the Club. The current portion is amounts owing to EMRs over the next 12 months.

7. OTHER EXPENSE

During the 2016 fiscal year, Horizon Utilities determined they had undercharged for water usage for the years 2012, 2013 and 2014. A one time charge of \$27,913 was therefore applied to the Club. Horizon Utilities has agreed to a three year payment term of \$1,551 every two months starting October 31, 2016 and ending August 31, 2019.

NEWPORT YACHT CLUB - STONEY CREEK INC.

**Notes to Financial Statements
Year Ended September 30, 2018**

8. FINANCIAL INSTRUMENTS

The Club is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Club's risk exposure and concentration as of September 30, 2018.

(a) Credit risk

The Club is exposed to credit risk in the event of default by counter parties in connection with Club members. The Club does not obtain collateral or other security to support the accounts receivable and EMR loans subject to credit risk but mitigates this risk by dealing directly with members determined to be financially sound counterparties and, accordingly, does not anticipate significant write-offs.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Club is exposed to liquidity risk through its debts and obligations. To ensure the Club is able to fund its obligations as they come due, it maintains accessible sources of liquidity by maintaining cash reserves and available financing from the Club's members.

(c) Interest rate risk

Interest rate risk is the risk that the value of the long term debt might be adversely affected by a change in the interest rates. The Club is exposed to interest rate risk primarily through its variable rate long term debt which is tied to bank prime interest rates. The Club has not entered into any derivative agreements to mitigate or manage this risk.

Unless otherwise noted, it is management's opinion that the Club is not exposed to significant currency or other price risks arising from these financial instruments.

9. RELATED PARTY TRANSACTIONS

Exclusive mooring rights – member loans (EMRs)

EMRs are loans made by members to the Club and are for the exclusive right to use a slip at the Club. In addition, members with EMRs receive a reduced dock rental fee.

These transactions are in the normal course of operations and are recorded at the exchange amount. The exchange amount is the amount of consideration established and agreed to by the related parties.

10. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the following activities occurred:

- A developer has approached Newport Yacht Club - Stoney Creek Inc. (Club) with the intent of redeveloping a portion of land owned by the Club. In exchange for the land the developer has committed to building a new club house for the Club. The board of directors of the Club are currently in negotiation with the developer.
- On October 2, 2018 the club signed a one year cashable GIC in the amount of \$369,151 earning interest at 1.1%.