

NEWPORT YACHT CLUB - STONEY CREEK INC.

Financial Statements

Year Ended September 30, 2019

NEWPORT YACHT CLUB - STONEY CREEK INC.

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Year Ended September 30, 2019**

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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.

Mike Rushton

Mr. Michael Rushton, Commodore

Peter Belanger

Mr. Peter Belanger, Secretary/Treasurer

Stoney Creek, ON
November 08, 2019

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., which comprise the statement of financial position as at September 30, 2019, 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.

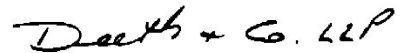
A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical 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 the financial statements do not present fairly, in all material respects, the financial position of Newport Yacht Club - Stoney Creek Inc. as at September 30, 2019, 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.

Burlington, Ontario
November 8, 2019


DEETH & CO. LLP
Chartered Professional Accountants
Licensed Public Accountant

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Financial Position

September 30, 2019

	2019	2018
ASSETS		
CURRENT		
Cash and equivalents	\$ 71,402	\$ 51,333
Term deposits <i>(Note 4)</i>	349,151	365,135
Trade accounts receivable	5,295	2,774
Inventory	2,831	537
Interest receivable	3,862	4,016
Government remittances recoverable	1,453	7,964
Prepaid expenses	3,162	3,888
	<u>437,156</u>	435,647
PROPERTY, PLANT AND EQUIPMENT <i>(Note 5)</i>	492,841	504,535
SECURITY DEPOSIT	3,200	3,200
	<u>\$ 933,197</u>	<u>\$ 943,382</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Trade accounts payable and accrued liabilities	\$ 19,418	\$ 8,184
Current portion of mortgage payable <i>(Note 7)</i>	27,312	26,269
Deferred income	2,900	1,925
Current portion of exclusive mooring rights <i>(Note 8)</i>	43,283	37,047
	<u>92,913</u>	73,425
MORTGAGE PAYABLE <i>(Note 7)</i>	410,330	437,507
EXCLUSIVE MOORING RIGHTS - MEMBER LOANS <i>(Note 8)</i>	313,275	367,814
OTHER LONG TERM LIABILITIES	-	8,614
	<u>816,518</u>	887,360
NET ASSETS	<u>116,679</u>	56,022
	<u>\$ 933,197</u>	<u>\$ 943,382</u>

ON BEHALF OF THE BOARD

Mike Rushton Commodore

Peter Belanger Treasurer

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Revenues and Expenditures

Year Ended September 30, 2019

	2019	2018
REVENUES		
Dock rental	\$ 216,982	\$ 182,119
Membership fees	33,000	30,250
Social committee	18,687	17,323
Initiation fees	8,250	5,882
Miscellaneous revenue	4,849	6,066
Winter storage	4,400	3,100
Interest Income	3,862	2,609
Member donation	278	-
Regatta	-	15,470
	<u>290,308</u>	<u>262,819</u>
EXPENSES		
Dredging (<i>Note 3</i>)	83,830	964
Utilities	24,664	24,418
Repairs and maintenance	22,339	39,925
Amortization	21,139	19,098
Interest on mortgage payable (<i>Note 7</i>)	17,839	18,402
Property taxes	12,644	12,003
Insurance	11,922	9,841
Salaries and wages	9,553	118
Social committee	7,168	7,111
Professional fees	5,334	6,740
Advertising and promotion	2,598	4,435
Supplies	2,422	4,881
Telephone	1,951	1,496
Bad debts	1,836	2,965
Regattas and poker run	1,262	9,832
Bank charges	1,242	893
Office and miscellaneous	896	1,082
Security	515	2,084
Membership committee	497	-
New member incentive	-	2,750
Rental	-	2,042
	<u>229,651</u>	<u>171,080</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 60,657</u>	<u>\$ 91,739</u>

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Changes in Net Assets

Year Ended September 30, 2019

	General Fund	Restricted Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 56,022	\$ -	\$ 56,022	\$ (35,717)
EXCESS OF REVENUES OVER EXPENSES	60,657	-	60,657	91,739
NET ASSETS - END OF YEAR	\$ 116,679	\$ -	\$ 116,679	\$ 56,022

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Cash Flows

Year Ended September 30, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 60,657	\$ 91,739
Item not affecting cash:		
Amortization of property, plant and equipment	21,139	19,098
	<u>81,796</u>	<u>110,837</u>
Changes in non-cash working capital:		
Trade accounts receivable	(2,521)	1,368
Interest receivable	154	(4,016)
Inventory	(2,294)	2,030
Government remittances recoverable	6,511	(8,334)
Prepaid expenses	726	(805)
Trade accounts payable and accrued liabilities	11,234	(8,957)
Deferred income	975	(5,689)
Other long term liabilities	(8,614)	(690)
	<u>6,171</u>	<u>(25,093)</u>
Cash flow from operating activities	<u>87,967</u>	<u>85,744</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(9,445)	(53,762)
FINANCING ACTIVITIES		
Repayment of exclusive mooring rights - member loans	(48,303)	(34,682)
Repayment of mortgage payable	(26,134)	(25,570)
Cash flow used by financing activities	<u>(74,437)</u>	<u>(60,252)</u>
INCREASE (DECREASE) IN CASH FLOW	4,085	(28,270)
Cash - beginning of year	416,468	444,738
CASH - END OF YEAR	<u>\$ 420,553</u>	<u>\$ 416,468</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 17,839</u>	<u>\$ 18,402</u>
CASH CONSISTS OF:		
Cash and equivalents	\$ 71,402	\$ 51,333
Term deposits	349,151	365,135
	<u>\$ 420,553</u>	<u>\$ 416,468</u>

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements

Year Ended September 30, 2019

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 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 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
Wireless network cabling	30%	declining balance method

The Club regularly reviews its property, plant and equipment to eliminate obsolete items. Amortization in the year of acquisition is recorded at one-half the normal rate for items amortized using the declining balance method.

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, term deposits, trade accounts receivable, interest receivable, government remittances recoverable and the security deposit. Financial liabilities measured at amortized cost include trade accounts payable and accrued liabilities, mortgage payable 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, 2019

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, accruals, deferred income, estimated useful lives of property, plant and equipment and the 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. In the current year of operations, dredging was performed.

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.

4. TERM DEPOSITS

	<u>2019</u>	<u>2018</u>
Guaranteed investment certificate	<u>\$ 349,151</u>	<u>\$ 365,135</u>

On October 2, 2018, the Club signed a one year cashable GIC in the amount of \$349,151 (2018 - \$365,135) earning at 1.1% (2018 - 1.1%).

NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements

Year Ended September 30, 2019

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land and water rights	\$ 400,339	\$ -	\$ 400,339	\$ 400,339
Buildings	21,083	1,265	19,818	20,661
Club boats	4,050	608	3,442	3,847
Dock installations	132,331	89,677	42,654	55,887
Tent	19,810	11,030	8,780	10,761
Fencing	32,599	22,819	9,780	13,040
Wireless network cabling	9,445	1,417	8,028	-
	\$ 619,657	\$ 126,816	\$ 492,841	\$ 504,535

6. REVOLVING CREDIT FACILITY

The Club has a revolving credit facility with its bank up to a maximum of \$25,000 of which \$nil (2018 - \$nil) was being utilized at September 30, 2019. The credit facility bears interest at a rate of Prime plus 1.00% and is secured by first charge on real property located at 149 Edgewater Drive, Stoney Creek, a general security agreement covering all present and after acquired assets of the Club, and assignment of fire insurance.

The bank has imposed a financial covenant restricting Newport Yacht Club - Stoney Creek Inc. to maintain a debt service coverage ratio of not less than 1.5 to 1 to be maintained at all times. Management believes the Club was in compliance with all of the financial covenants set out in the bank agreement during the reporting period.

7. MORTGAGE PAYABLE

	2019	2018
TD Mortgage loan bearing interest at TD bank prime plus 3% per annum interest only paid annually. The loan matures on April 25, 2022 and is secured by first charge on retail property located at 149 Edgewater Drive, Stoney Creek, with a net book value of \$472,591, a general security agreement and an assignment of fire insurance. The loan is amortized over a 15 year period to 2032.	\$ 437,642	\$ 463,776
Amounts payable within one year	(27,312)	(26,269)
	\$ 410,330	\$ 437,507

Principal repayment terms are approximately:

2020	\$ 27,312
2021	28,397
2022	381,933

The bank has imposed a financial covenant restricting Newport Yacht Club - Stoney Creek Inc. to maintain a debt service coverage ratio of not less than 1.5 to 1 to be maintained at all times. Management believes the Club was in compliance with all of the financial covenants set out in the bank agreement during the reporting period.

NEWPORT YACHT CLUB - STONEY CREEK INC.

**Notes to Financial Statements
Year Ended September 30, 2019**

8. 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.

9. 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.

10. 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, 2019.

(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 excess cash and equivalents and term deposits, an unused revolving credit facility 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 revolving credit facility and mortgage payable 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.

NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements

Year Ended September 30, 2019

11. 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.

12. SUBSEQUENT EVENTS

Subsequent to September 30, 2019, the following activity occurred:

- On October 22, 2019 the club signed a one year cashable GIC in the amount of \$353,000 earning interest at 1.1%.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
