

NEWPORT YACHT CLUB - STONEY CREEK INC.

Financial Statements

Year Ended September 30, 2020

NEWPORT YACHT CLUB - STONEY CREEK INC.

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Year Ended September 30, 2020**

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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. (the Club) that comprise the statement of financial position as at September 30, 2020, 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 (ASNPO), 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.

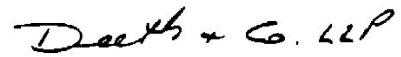
A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical 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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Burlington, Ontario
November 9, 2020



Chartered Professional Accountants
Licensed Public Accountants

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Financial Position

September 30, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and equivalents	\$ 91,068	\$ 71,402
Term deposits <i>(Note 4)</i>	353,000	349,151
Trade accounts receivable	2,367	5,295
Inventory	3,141	2,831
Interest receivable	4,644	3,862
Harmonized sales tax recoverable	21,831	1,453
Prepaid expenses	3,417	3,162
	479,468	437,156
PROPERTY, PLANT AND EQUIPMENT <i>(Note 5)</i>	772,796	492,841
SECURITY DEPOSIT	-	3,200
	\$ 1,252,264	\$ 933,197
LIABILITIES AND NET ASSETS		
CURRENT		
Trade accounts payable and accrued liabilities	\$ 4,125	\$ 19,418
Current portion of mortgage payable <i>(Note 7)</i>	321,912	27,312
Employee deductions payable	1,109	-
Deferred income	10,751	2,900
Current portion of exclusive mooring rights <i>(Note 8)</i>	28,662	43,283
	366,559	92,913
MORTGAGE PAYABLE <i>(Note 7)</i>	381,704	410,330
EXCLUSIVE MOORING RIGHTS - MEMBER LOANS <i>(Note 8)</i>	281,553	313,275
	1,029,816	816,518
NET ASSETS		
General fund	222,448	116,679
	\$ 1,252,264	\$ 933,197

ON BEHALF OF THE BOARD

Michael Rushton *Commodore*
Peter Belanger *Treasurer*

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Revenues and Expenditures

Year Ended September 30, 2020

	2020	2019
TRADE SALES		
Dock rental	\$ 216,075	\$ 216,982
Membership fees	51,031	33,000
Initiation fees	13,800	8,250
Miscellaneous revenue	7,569	4,849
Interest Income	4,654	3,862
Winter storage	3,151	4,400
Member donation	1,981	278
Social committee	560	18,687
	<u>298,821</u>	<u>290,308</u>
EXPENSES		
Repairs and maintenance	45,432	22,339
Amortization	37,720	21,139
Interest on long term debt	21,240	17,839
Utilities	18,954	24,664
Salaries and wages	16,433	9,553
Property taxes	12,903	12,644
Professional fees	10,074	5,334
Insurance	9,823	11,922
Advertising and promotion	5,758	2,598
Supplies	4,131	2,422
Office and miscellaneous	3,449	896
Telephone	2,696	1,951
Bank charges	1,794	1,242
Dredging (Note 3)	1,366	83,830
Security	1,205	515
Membership committee	988	497
Social committee	329	7,168
Regattas and poker run	-	1,262
Bad debts (recovery)	(2,523)	1,836
	<u>191,772</u>	<u>229,651</u>
EXCESS OF TRADE SALES OVER EXPENSES FROM OPERATIONS	107,049	60,657
OTHER INCOME		
Loss on disposal of property, plant and equipment	(1,280)	-
EXCESS OF TRADE SALES OVER EXPENSES	\$ 105,769	\$ 60,657

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Changes in Net Assets

Year Ended September 30, 2020

	General Fund	Restricted Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 116,679	\$ -	\$ 116,679	\$ 56,022
EXCESS OF TRADE SALES OVER EXPENSES	105,769	-	105,769	60,657
NET ASSETS - END OF YEAR	\$ 222,448	\$ -	\$ 222,448	\$ 116,679

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Statement of Cash Flows

Year Ended September 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of trade sales over expenses	\$ 105,769	\$ 60,657
Items not affecting cash:		
Amortization of property, plant and equipment	37,720	21,139
Loss on disposal of property, plant and equipment	1,280	-
	<u>144,769</u>	<u>81,796</u>
Changes in non-cash working capital:		
Trade accounts receivable	2,928	(2,521)
Interest receivable	(782)	154
Inventory	(310)	(2,294)
Trade accounts payable and accrued liabilities	(15,293)	11,234
Deferred income	7,851	975
Prepaid expenses	(255)	726
Harmonized sales tax payable	(20,378)	6,511
Security deposit	3,200	-
Employee deductions payable	1,109	-
Other long term liabilities	-	(8,614)
	<u>(21,930)</u>	<u>6,171</u>
Cash flow from operating activities	<u>122,839</u>	<u>87,967</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(318,955)</u>	<u>(9,445)</u>
FINANCING ACTIVITIES		
Exclusive mooring rights - member loans	(46,343)	(48,303)
Proceeds from long term financing	300,000	(26,134)
Repayment of long term debt	<u>(34,026)</u>	<u>-</u>
Cash flow from (used by) financing activities	<u>219,631</u>	<u>(74,437)</u>
INCREASE IN CASH FLOW	23,515	4,085
Cash - beginning of year	<u>420,553</u>	<u>416,468</u>
CASH - END OF YEAR	\$ 444,068	\$ 420,553
CASH CONSISTS OF:		
Cash and equivalents	\$ 91,068	\$ 71,402
Term deposits	<u>353,000</u>	<u>349,151</u>
	<u>\$ 444,068</u>	<u>\$ 420,553</u>

See notes to financial statements

NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements

Year Ended September 30, 2020

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
Dredger	10 years	straight-line method
Dock installations	10 years	straight-line method
Buildings	10 years	straight-line method
Tent	10 years	straight-line method
Fencing	10 years	straight-line method
Parking Lot	10 years	straight-line method
Wireless network cabling	10 years	straight-line method
Equipment	10 years	straight-line method
Club boats	10 years	straight-line 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 straight-line method.

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NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements Year Ended September 30, 2020

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

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.

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.

During the year the club acquired it's own dredging machine in an effort to better control the cost of dredging.

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, 2020

4. MARKETABLE SECURITIES

On October 19, 2019, the club signed a one year cashable GIC in the amount of \$353,000 (2019 - \$349,151) earning interest at 1.4% (2019 - 1.1%).

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land and water rights	\$ 400,339	\$ -	\$ 400,339	\$ 400,339
Dredger	178,511	8,926	169,585	-
Dock installations	132,331	102,910	29,421	42,654
Buildings	115,015	8,070	106,945	19,818
Tent	35,010	13,371	21,639	8,780
Fencing	32,599	26,079	6,520	9,780
Parking Lot	23,810	1,191	22,619	-
Wireless network cabling	9,445	2,361	7,084	8,028
Equipment	5,902	295	5,607	-
Club boats	4,050	1,013	3,037	3,442
	\$ 937,012	\$ 164,216	\$ 772,796	\$ 492,841

6. REVOLVING CREDIT FACILITY

The Club has a revolving credit facility with its bank up to a maximum of \$25,000 of which \$nil (2019 - \$nil) was being utilized at September 30, 2020. The credit facility bears interest at a rate of Prime plus 1.00% and is secured by first charge on real property located at 711 North Service Road, Stoney Creek, a general security agreement covering all present and 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 1.25 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

	2020	2019
TD Mortgage bearing interest at TD fixed rate term loan using bank prime plus 1.5% per annum. The loan matures on April 22, 2022 and is secured by a first charge on real property located at 711 North Service Road, Stoney Creek, with a net book value of \$772,796, a general security agreement and an assignment of fire insurance. The loan is amortized over a 15 year period to 2032.	\$ 410,115	\$ 437,642

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NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements

Year Ended September 30, 2020

7. MORTGAGE PAYABLE *(continued)*

	2020	2019
<p>TD Mortgage bearing interest at TD fixed rate term loan using bank prime plus 1.5% per annum, The loan matures on April 30, 2021 and is secured by a first charge on real property located at 711 North Service Road, Stoney Creek with a net book value of \$772,796, a general security agreement and an assignment of fire insurance.</p>	293,501	-
	703,616	437,642
<p>Amounts payable within one year</p>	(321,912)	(27,312)
	\$ 381,704	\$ 410,330

Principal repayment terms are approximately:

2021	\$ 321,912
2022	381,703

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 1.25 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.

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. 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, 2020.

(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.

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NEWPORT YACHT CLUB - STONEY CREEK INC.

Notes to Financial Statements
Year Ended September 30, 2020

9. FINANCIAL INSTRUMENTS *(continued)*

(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.

10. 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.

11. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the following activity occurred:

- a) On October 21, 2020 the club signed a one year cashable GIC in the amount of \$357,942 earning interest at 0.45%.
- b) The club members have given approval to the Board of Directors to invest in a pool and supporting structure. The estimated cost is \$300,000.

12. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The Board of Directors are uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Club's operations as at the date of these financial statements.
