

**ROYAL LAKE OF THE WOODS YACHT CLUB**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**



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CHARTERED PROFESSIONAL ACCOUNTANTS

November 27, 2021

## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

### To the members of Royal Lake of the Woods Yacht Club:

We have reviewed the accompanying financial statements of Royal Lake of the Woods Yacht Club that comprise the statement of financial position as at September 30, 2021 and the statements of operations, changes in net assets and cash flow 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 Royal Lake of the Woods Yacht Club as at September 30, 2021, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Scarrow & Donald LLP*

Chartered Professional Accountants  
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

**ROYAL LAKE OF THE WOODS YACHT CLUB  
STATEMENT OF FINANCIAL POSITION**

		September 30	
		2021	2020
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	\$	350,585	\$ 389,426
Guaranteed investment certificate, maturing July 6, 2022 with interest at .050%		25,000	-
Accounts receivable		4,264	4,499
Canada Emergency Wage Subsidy recoverable		56,804	-
HST recoverable		3,559	7,696
Inventory		5,003	7,486
		445,215	409,107
<b>Capital assets (Note 3)</b>		<b>980,439</b>	<b>1,003,262</b>
	<b>\$</b>	<b>1,425,654</b>	<b>\$ 1,412,369</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$	29,768	\$ 14,037
Government remittances payable		3,504	2,425
		33,272	16,462
<b>Canadian emergency Business Account (Note 4)</b>		40,000	40,000
<b>Deferred contributions for capital assets (Note 5)</b>		484,975	479,716
		558,247	536,178
<b>NET ASSETS</b>			
<b>Unrestricted net assets</b>		116,444	152,645
<b>Maintenance fund (Note 6)</b>		200,000	200,000
<b>Net assets invested in capital assets</b>		550,963	523,546
		867,407	876,191
	<b>\$</b>	<b>1,425,654</b>	<b>\$ 1,412,369</b>

**APPROVED BY THE BOARD:**

\_\_\_\_\_ **Director**

\_\_\_\_\_ **Director**

**ROYAL LAKE OF THE WOODS YACHT CLUB**

**STATEMENT OF OPERATIONS**

	<b>Year ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenue:</b>		
Membership revenue	\$ 166,295	\$ 158,277
New member initiation fees	9,800	-
Member donations	6,434	2,650
Meal and ticket sales	25,813	11,794
Liquor sales	17,347	1,380
Program registration fees	68,051	29,642
Merchandise and auction sales	18,202	1,530
Club fees	5,898	-
Interest and other	75,614	80,393
Amortization of deferred contributions	50,242	49,902
	<u>443,696</u>	<u>335,568</u>
<b>Canada Emergency Business Account benefit (Note 7)</b>	<u>20,000</u>	<u>-</u>
	463,696	335,568
<b>Expenses:</b>		
Administration	14,817	15,723
Amortization of capital assets	111,749	112,982
Bad debts	8,739	-
Credit card and merchant fees	3,231	84
Equipment rentals	7,336	3,440
Food	21,523	9,902
Fuel	2,020	653
Insurance	26,364	33,626
Interest and bank charges	3,730	3,066
Licences and registrations	3,696	1,412
Liquor	6,676	960
Merchandise	3,868	3,764
Professional fees	3,413	3,520
Property taxes	3,210	3,187
Repairs and maintenance	28,574	26,267
Supplies	12,659	8,610
Utilities	2,708	1,213
Wages	208,167	124,073
	<u>472,480</u>	<u>352,482</u>
<b>Difference between revenue and expenses</b>	<u>\$ (8,784)</u>	<u>\$ (16,914)</u>

**ROYAL LAKE OF THE WOODS YACHT**

**STATEMENT OF CHANGES IN NET ASSETS**

	<u>Invested in capital assets</u>	<u>Maintenance fund</u>	<u>Unrestricted net assets</u>	<u>Year ended September 30 2021</u>	<u>September 30 2020</u>
<b>Balance, beginning of year</b>	\$ 523,546	\$ 200,000	\$ 152,645	\$ 876,191	\$ 893,105
<b>Difference between revenue and expenses for the year</b>	(61,508)	-	52,724	(8,784)	(16,914)
<b>Purchase of capital assets</b>	<u>88,925</u>	<u>-</u>	<u>(88,925)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<u>\$ 550,963</u>	<u>\$ 200,000</u>	<u>\$ 116,444</u>	<u>\$ 867,407</u>	<u>\$ 876,191</u>

ROYAL LAKE OF THE WOODS YACHT

STATEMENT OF CASH FLOW

	Year ended September 30	
	2021	2020
<b>Cash flow from operating activities:</b>		
Memberships and other revenue	\$ 361,022	\$ 294,332
Cash paid to suppliers and sub-contractors	(341,438)	(270,041)
	<u>19,584</u>	<u>24,291</u>
<b>Cash flow from investing and financing activities:</b>		
Purchase of capital assets	(88,925)	(46,644)
Contributions for capital assets	55,500	-
Purchase of guaranteed investment certificate	(25,000)	-
Proceeds from long-term debt	-	40,000
	<u>(58,425)</u>	<u>(6,644)</u>
<b>Change in cash</b>	<b>(38,841)</b>	<b>17,647</b>
<b>Cash, beginning of year</b>	<b>389,426</b>	<b>371,779</b>
<b>Cash, end of year</b>	<b>\$ <u>350,585</u></b>	<b>\$ <u>389,426</u></b>

# ROYAL LAKE OF THE WOODS YACHT CLUB

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

### 1. Purpose of the Organization:

Royal Lake of the Woods Yacht Club is situated on an island in Lake of the Woods, near Kenora, Ontario, Canada. Its purpose is to provide pleasure and recreation for its members; to promote and develop the sport of sailing; to maintain a clubhouse, sailing equipment, docks and tennis courts. The operation of RLWYC is for nonprofit purposes only, and no part of the net earnings of RLWYC will benefit any private member. It is incorporated under an act of the Manitoba legislature. On October 9, 2008, the Legislative Assembly of Manitoba enacted Bill 300 to remove the provisions for issuing stock in the club from its act of incorporation. This change established the Club as a "Not for Profit" entity and is exempt from income tax under section 149(1)(l) of the Income Tax Act.

### 2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

#### a) Critical accounting estimates and judgments-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

#### b) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**2. Significant accounting policies (continued):**

## c) Amortization-

Amortization is computed on a straight-line basis at rates designed to write off the assets over their estimated useful lives as follows:

Building improvements	- 25 years
Docks and decks	- 15 years
Play structure	- 10 years
Sail and motor boats	- 12 years
Elevator	- 25 years
Children's centre	- 15 years
Water treatment and septic system	- 25 years
Furniture and fixtures	- 10 years
Tools and equipment	- 10 years
Tennis court improvements	- 15 years
Computer equipment	- 3 years
Generator	- 15 years
Automotive equipment	- 5 years
Storage areas	- 25 years

## d) Contributed services-

Volunteers contribute many hours each year to assist the Club in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

## e) Inventory-

Inventory is valued at the lower of average cost on a weighted average cost basis and net realizable value.

## f) Revenue recognition-

The Club follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, membership, new member initiation fees, membership activities, fundraising, programs and private functions revenues are recognized when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured. Interest is recognized on the time proportion basis.

## g) Financial instruments-

Financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.



**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**2. Significant accounting policy (continued):**

## g) Financial instruments (continued)-

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Club may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative effect of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Club measures all financial instruments at amortized cost.

The Club assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

**3. Capital assets:**

Capital assets are stated at cost less accumulated amortization and consist of the following:

	September 30			
	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	\$ -	\$ 1	\$ -
Land improvements	14,207	-	14,207	-
Building improvements	1,079,065	747,500	1,067,611	704,337
Docks and decks	601,716	297,506	525,041	266,735
Play structure	33,422	33,422	33,422	33,422
Sail and motor boats	317,917	245,352	317,917	237,564
Elevator	85,634	50,399	85,634	46,974
Children's centre	27,297	27,297	27,297	27,192
Water treatment and septic system	53,849	33,130	53,849	30,976
Furniture and fixtures	67,386	55,561	67,386	51,752
Tools and equipment	23,360	23,360	23,360	21,489
Tennis court improvements	216,496	104,179	216,496	93,355
Computer equipment	8,085	7,554	7,289	7,289
Generator	40,202	32,162	40,202	29,482
Automotive equipment	6,000	6,000	6,000	6,000
Storage areas	122,334	53,110	122,334	48,217
	<u>\$ 2,696,971</u>	<u>\$ 1,716,532</u>	<u>\$ 2,608,046</u>	<u>\$ 1,604,784</u>
Net book value	<u>\$ 980,439</u>		<u>\$ 1,003,262</u>	

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**4. Long term debt:**

The Club received a loan under the Canadian Emergency Business Account (CEBA) in the amount of \$60,000. The loan is interest free until December 31, 2022. From January 1, 2023 to December 31, 2025, the loan will bear interest at 5%. If at least \$40,000 is repaid by December 31, 2022, the remaining \$20,000 of the loan will be forgiven. The loan matures December 31, 2025.

**5. Deferred contributions for capital assets:**

Deferred contributions for capital assets represent restricted contributions received for the purchase of capital assets. The change in the deferred contributions balance for the period is as follows:

	September 30	
	2021	2020
Balance, beginning of year	\$ 479,716	\$ 529,618
Current year contributions	55,500	-
Amounts amortized to revenue	<u>(50,241)</u>	<u>(49,902)</u>
Balance, end of year	<u>\$ 484,975</u>	<u>\$ 479,716</u>

**6. Maintenance fund:**

The maintenance fund is internally restricted by the board of directors and is to be used at the discretion of the board of directors for major repairs and maintenance. These funds are not available for other purposes without the approval of the board of directors.

**7. Canada Emergency Wage Subsidy:**

For the year ended September 30, 2021, the Club received proceeds of \$64,514 (2020 - \$77,887) under the Canada Emergency Wage Subsidy program that are included in Interest and other income.

**8. Risk management:**

Management's risk management policies are typically performed as a part of the overall management of the Club's operations. Management is aware of risks related to these objectives through direct personal involvement with volunteers and outside parties. In the normal course of its business, the Club is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Club has not designated transactions as hedging transactions to manage risk. As part of the overall operation of the Club, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them are as follows:

**Liquidity risk-**

Liquidity risk is the risk that the Club cannot meet its financial obligations associated with financial liabilities in full. The Club's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Club's financial obligations associated with financial liabilities.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**8. Risk management (continued):**

## Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Club has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Club also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. The Club has made a provision for an allowance for doubtful accounts in the amount of \$Nil (2020 - \$Nil).

**9. Subsequent event:**

The outbreak of COVID-19, has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to September 30, 2021 governments have continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Royal Lake of the Woods Yacht Club in future periods.