

---

Financial Statements

**PORT CREDIT YACHT CLUB**

September 30, 2010

---

**PORT CREDIT YACHT CLUB**

**SEPTEMBER 30, 2010**

**CONTENTS**

---

	<b>Page</b>
<b>Auditors' Report to the Members</b>	
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Changes in Net Assets	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-9

## AUDITORS' REPORT TO THE MEMBERS

---

We have audited the balance sheet of Port Credit Yacht Club as at September 30, 2010 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at September 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Martyn, Dooley & Partners LLP*

Chartered Accountants  
Licensed Public Accountants

Mississauga, Canada

October 22, 2010

**PORT CREDIT YACHT CLUB****Balance Sheet**

September 30, 2010

	2010	2009
<b>Assets</b>		
<b>Current</b>		
Accounts receivable	65,775	47,362
Inventories	52,431	47,172
Prepaid expenses	17,502	9,077
	135,708	103,611
<b>Cash Restricted (Notes 3 and 4)</b>	<b>463,131</b>	<b>360,902</b>
<b>Capital Assets (Note 5)</b>	<b>4,332,248</b>	<b>4,347,670</b>
	<b>\$ 4,931,087</b>	<b>\$ 4,812,183</b>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 6)	\$ 509,202	\$ 220,687
Accounts payable and accrued liabilities	329,667	468,579
Deferred revenue	203,066	205,495
Corinthian program	14,209	9,209
Current portion of mortgage payable (Note 7)	65,352	194,437
Current portion of term loan (Note 8)	57,737	54,065
Current portion of promissory notes payable (Note 9)	76,970	77,266
	1,256,203	1,229,738
<b>Mortgage Payable (Note 7)</b>	<b>602,761</b>	<b>891,654</b>
<b>Term Loan (Note 8)</b>	<b>714,348</b>	<b>772,085</b>
<b>Promissory Notes Payable (Note 9)</b>	<b>230,911</b>	<b>307,880</b>
	<b>2,804,223</b>	<b>3,201,357</b>
<b>Commitment (Note 11)</b>		
<b>Net Assets</b>		
Internally restricted (Note 4)	463,131	360,902
Capital assets	2,584,168	2,050,282
Unrestricted	(920,435)	(800,358)
	2,126,864	1,610,826
	<b>\$ 4,931,087</b>	<b>\$ 4,812,183</b>

See accompanying notes to the financial statements

On behalf of the Board

Director \_\_\_\_\_

Director \_\_\_\_\_

**PORT CREDIT YACHT CLUB**  
**Statement of Changes in Net Assets**  
**Year Ended September 30, 2010**

				2010	2009
	Internally Restricted	Capital Assets	Unrestricted	Total	Total
Balance, Beginning of Year	360,902	2,050,282	(800,358)	1,610,826	1,467,418
Increase in net assets	-	-	516,038	516,038	143,408
Net investment in capital assets	-	257,875	(257,875)	-	-
Gain on disposal of capital assets	-	3,000	(3,000)	-	-
Amortization of capital assets	-	(276,297)	276,297	-	-
Repayment of long term debt	-	549,308	(549,308)	-	-
Internally restricted assets (Notes 3 and 4 )	102,229	-	(102,229)	-	-
<b>Balance, End of Year</b>	<b>\$ 463,131</b>	<b>\$ 2,584,168</b>	<b>\$ (920,435)</b>	<b>\$ 2,126,864</b>	<b>\$ 1,610,826</b>

See accompanying notes to the financial statements

**PORT CREDIT YACHT CLUB**  
**Statement of Operations**  
**Year Ended September 30, 2010**

	2010	2009
<b>Operating Revenue</b>		
Membership fees	\$ 822,133	\$ 825,964
Planning and marketing	17,543	20,547
Dockyard/harbour	1,599,324	1,598,248
Learn to sail	257,570	241,154
Food and beverage	1,176,650	1,209,338
Sailing	8,276	7,466
Other	22,832	10,343
	<b>3,904,328</b>	<b>3,913,060</b>
<b>Operating Expenses</b>		
Planning and marketing	56,323	52,346
Dockyard/harbour	702,797	740,810
Learn to sail	201,162	210,257
Food and beverage	1,450,320	1,529,287
Clubhouse	122,524	140,925
Sailing	32,515	50,959
	<b>2,565,641</b>	<b>2,724,584</b>
<b>Excess of Operating Revenue Over Expenses</b>	<b>1,338,687</b>	<b>1,188,476</b>
<b>Indirect (Revenue) Expenses</b>		
Interest, net	118,681	137,823
General and administration	550,663	774,744
Amortization of capital assets	276,297	271,193
Gain on disposal of capital assets	(3,000)	(1,500)
	<b>942,641</b>	<b>1,182,260</b>
<b>Net Operating Income</b>	<b>396,046</b>	<b>6,216</b>
<b>Capital Revenue</b>		
Learn to sail auction proceeds and donations	30,392	22,592
Initiation fees	89,600	114,600
	<b>119,992</b>	<b>137,192</b>
<b>Net Increase in Net Assets</b>	<b>\$ 516,038</b>	<b>\$ 143,408</b>

See accompanying notes to the financial statements

**PORT CREDIT YACHT CLUB**  
**Statement of Cash Flows**  
**Year Ended September 30, 2010**

	2010	2009
<b>Operating Activities</b>		
Net operating income	\$ 396,046	\$ 6,216
Amortization of capital assets	276,297	271,193
Gain on sale of capital assets	(3,000)	(1,500)
Change in non-cash operating working capital (Note 10)	(168,438)	58,076
	<b>500,905</b>	<b>333,985</b>
<b>Financing Activities</b>		
Learn to sail auction proceeds and donations	30,392	22,592
Initiation fees	89,600	114,600
Term loan repayment	(54,065)	(50,625)
Mortgage repayment	(417,978)	(540,759)
Promissory notes repayments	(77,265)	(77,030)
	<b>(429,316)</b>	<b>(531,222)</b>
<b>Investing Activities</b>		
Cash, restricted	(102,229)	(60,902)
Purchase of capital assets	(260,875)	(155,743)
Proceeds on disposal of capital assets	3,000	1,500
	<b>(360,104)</b>	<b>(215,145)</b>
<b>Net Decrease in Cash</b>	<b>(288,515)</b>	<b>(412,382)</b>
<b>(Bank Indebtedness) Cash, Beginning of Year</b>	<b>(220,687)</b>	<b>191,695</b>
<b>Bank Indebtedness, End of Year</b>	<b>\$ (509,202)</b>	<b>\$ (220,687)</b>
<b>Supplementary Information</b>		
Interest Paid	\$ 118,681	\$ 151,140

See accompanying notes to the financial statements

**1. Purpose of the Organization**

The Port Credit Yacht Club is a corporation without share capital (non-profit), incorporated in the Province of Ontario on January 18, 1961 to provide social, dining and recreational facilities for its members. The Club is exempt from corporate income taxes.

**2. Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant by the Club.

**(a) Inventories**

Inventories are valued at the lower of cost or net realizable value on the first-in, first-out basis.

**(b) Amortization**

Rates and bases of amortization applied on a straight-line basis over a term considered adequate to write off the cost of capital assets over their estimated useful lives are as follows:

Buildings	- 2.25% to 5%
Installations	- 2.25% to 5%
Pool	- 5%
Equipment	- 20%
Training equipment	- 20%
Marine lift and trailer	- 10%

**(c) Revenue Recognition**

Initiation fees are recognized as revenue upon acceptance into membership. Other fees are recognized as revenue in the period in which the related service is provided.

**(d) Use of Estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect revenues and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

**3. Cash Restricted**

Restricted cash is invested in short term securities and has been allocated for the following purposes.

	2010	2009
Major repairs	\$ 363,131	\$ 260,902
Promissory notes repayment	100,000	100,000
	<b>\$ 463,131</b>	<b>\$ 360,902</b>

**PORT CREDIT YACHT CLUB**  
**Notes to The Financial Statements**  
**September 30, 2010**

**4. Net Assets Internally Restricted**

The Board of Directors restricted funds to provide for major repairs and promissory notes repayment. Appropriations to these funds and use thereof are at the discretion of the Board of Directors. It is the intention of the Board to add \$100,000 (2009-\$50,000) and accumulated interest to this fund annually.

**5. Capital Assets**

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Buildings	\$ 2,593,399	\$ 1,117,667	\$ 1,475,732	\$ 1,528,913
Installations	4,292,639	1,849,957	2,442,682	2,468,569
Pool	144,254	74,730	69,524	76,736
Equipment	1,471,708	1,278,928	192,780	127,514
Training equipment	659,297	507,767	151,530	145,938
	<b>\$ 9,161,297</b>	<b>\$ 4,829,049</b>	<b>\$ 4,332,248</b>	<b>\$ 4,347,670</b>

**6. Bank Indebtedness**

The Club utilized \$516,228 (2009-\$292,460) of a maximum \$500,000 overdraft facility during the year, a temporary overage that the bank is aware of and has approved. Security is provided by a general security agreement and collateral mortgage over the buildings and installations.

**7. Mortgage Payable**

	2010	2009
Fixed rate term loan, secured by a collateral mortgage over the buildings and installations and a general security agreement, repayable in blended monthly payments of \$21,684, bearing interest fixed at 6.59%, maturing on July 31, 2010.	\$ -	\$ 1,086,091
Variable rate term loan, secured by a collateral mortgage over the buildings and installations and a general security agreement, repayable on demand, bearing interest payable monthly at bank prime plus 1.25%.	668,113	-
Less: current portion	65,352	194,437
	<b>\$ 602,761</b>	<b>\$ 891,654</b>

**PORT CREDIT YACHT CLUB**  
**Notes to The Financial Statements**  
**September 30, 2010**

**8. Term Loan**

	2010	2009
Fixed rate term loan, secured by a general security agreement registered under PPSA, repayable in blended monthly payments of \$8,907, bearing interest at 6.59%, maturing December, 2010.	\$ 772,085	\$ 826,150
Less: current portion	57,737	54,065
	<u>\$ 714,348</u>	<u>\$ 772,085</u>

It is the Club's intention to renew the term loan in the coming year. The estimated required minimum principal payments for the next period under the current agreement are as follows:

2011	<u>\$ 57,737</u>
------	------------------

**9. Promissory Notes Payable**

	2010	2009
Promissory notes payable	\$ 307,881	\$ 385,146
Less: current portion of promissory notes payable	76,970	77,266
	<u>\$ 230,911</u>	<u>\$ 307,880</u>

The interest free promissory notes payable are due in four equal annual installments payable in January, 2011 to 2014.

**10. Change in Non-Cash Operating Working Capital**

	2010	2009
Accounts receivable	\$ (18,413)	\$ 4,228
Inventories	(5,259)	6,000
Prepaid expenses	(8,425)	11,978
Accounts payable and accrued liabilities	(138,912)	61,056
Deferred revenue	(2,429)	(20,841)
Corinthian program	5,000	(4,345)
	<u>\$ (168,438)</u>	<u>\$ 58,076</u>

**11. Commitment**

**Lease Commitment**

The lease for the rental of land and water lots is for five years with five year renewal periods extending to 2038. The minimum rent is determined under an agreed formula. For the current year the rent expense amounted to \$137,478 (2009-\$105,888).

**12. Financial Instruments**

**(a) Fair Value**

The Club's financial instruments recognized in the balance sheet consist of accounts receivable, cash restricted, bank indebtedness, accounts payable and accrued liabilities, mortgage payable, term loan and promissory notes payable.

Accounts receivable, bank indebtedness, accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair value of these instruments approximates their carrying amounts due to their short-term maturities.

The fair values of the cash restricted, mortgage payable and term loan have not been determined as the rates to renew the debt are not known. The fair value of the promissory notes payable has not been determined as the market rate at which this should be discounted is not known.

**(b) Interest Rate Risk**

The Club is exposed to interest rate risk on the mortgage payable and term loan. During the current period, the mortgage payable was restructured to a variable interest rate which increases the exposure to interest rate risk. The term loan bears a fixed interest rate and the promissory note is non interest bearing consequently, the long term debt rate exposure is reduced.

**(c) Liquidity Risk**

The Club considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.