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Financial Statements

Canadian Power Squadrons Foundation

For the year ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Power Squadrons Foundation

I have audited the accompanying financial statements of Canadian Power Squadrons Foundation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Power Squadrons Foundation as at December 31, 2017, 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.

Reilly CPA Professional Corporation

Reilly CPA Professional Corporation

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario

Markham, Ontario
June 28, 2018

Canadian Power Squadrons Foundation

Statement of Financial Position

As at December 31, 2017

	2017	2016
Assets		
Current assets		
Cash	\$ 4,398	\$ 33,424
Accrued interest	281	286
Donations receivable	390	-
HST receivable	546	2,266
Short term investments (note 3)	-	12,000
	<u>5,615</u>	<u>47,976</u>
Investments (note 3)	<u>986,007</u>	<u>981,685</u>
	<u>\$ 991,622</u>	<u>\$ 1,029,661</u>
Liability		
Current liability		
Accounts payable	\$ 5,947	\$ 6,261
Net Assets		
Net assets	<u>985,675</u>	<u>1,023,400</u>
	<u>\$ 991,622</u>	<u>\$ 1,029,661</u>

On behalf of the Board

(*John Hinksman*)

(*Erik Fabricius*)

The accompanying notes are an integral part of these financial statements

Canadian Power Squadrons Foundation

Statement of Operations

For the year ended December 31, 2017

	2017	2016
Revenues		
Donations and bequests (note 3)	\$ 18,997	\$ 16,621
Investment income	18,922	32,678
Unrealized gain on investments	79,873	3,833
	<u>117,792</u>	<u>53,132</u>
Expenditures		
Bank charges and investment management fees	8,524	6,723
Canadian Power and Sail Squadrons	135,000	25,000
General	6,489	515
Non-recoverable tax	238	498
Professional fees	5,266	5,930
	<u>155,517</u>	<u>38,666</u>
(Deficiency) excess of revenues over expenditures	<u>\$ (37,725)</u>	<u>\$ 14,466</u>

The accompanying notes are an integral part of these financial statements

Canadian Power Squadrons Foundation

Statement of Changes in Net Assets

For the year ended December 31, 2017

	2017	2016
Net assets, beginning	\$ 1,023,400	\$ 1,008,934
(Deficiency) excess of revenues over expenditures	<u>(37,725)</u>	<u>14,466</u>
Net assets, end	<u>\$ 985,675</u>	<u>\$ 1,023,400</u>

The accompanying notes are an integral part of these financial statements

Canadian Power Squadrons Foundation

Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
Operating activities		
(Deficiency) excess of revenues over expenditures	\$ (37,725)	\$ 14,466
Adjustment for		
Unrealized gain on investments	<u>(79,873)</u>	<u>(3,833)</u>
	(117,598)	10,633
Change in non-cash working capital items		
Accrued interest	5	1,642
Donations receivable	(390)	-
HST receivable	1,720	418
Accounts payable	<u>(318)</u>	<u>440</u>
	(116,581)	13,133
Investing activity		
Proceeds on sale (purchase) of investments, net	<u>87,555</u>	<u>(38,055)</u>
Decrease in cash	(29,026)	(24,922)
Cash, beginning	<u>33,424</u>	<u>58,346</u>
Cash, end	<u>\$ 4,398</u>	<u>\$ 33,424</u>

The accompanying notes are an integral part of these financial statements

Canadian Power Squadrons Foundation

Notes to the Financial Statements

For the year ended December 31, 2017

1. Nature of Operations

Canadian Power Squadrons Foundation ("CPSF") is a charitable foundation incorporated by letters patent under the Canada Corporations Act on November 5, 1975. CPSF provides training and study courses on boating safety and related seamanship knowledge and supports the objectives of Canadian Power and Sail Squadrons. In accordance with the provisions of the Income Tax Act, Section 149(1)(l) CPSF is exempt from income taxes.

2. Accounting Policies

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

(b) Revenue recognition

CPSF earns its revenue from donations, bequests and investments. Revenue from donations and bequests is recognized when it occurs; revenue from investments is recognized when earned.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and investments maturing in less than 90 days from the date of acquisition.

(d) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. All investments in equities, money market funds, bonds and guaranteed investment certificates are recorded at amortized cost. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

(e) Use of estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Canadian Power Squadrons Foundation

Notes to the Financial Statements

For the year ended December 31, 2017

3. Investments

Investments consist of \$937,920 (2016 - \$934,806) in equities and the remaining \$48,087 (2016 - \$46,879) amount in bonds and guaranteed investment certificates earning interest with rates ranging from 3.30% to 4.55% (2016 - 1.70% to 4.55%) annually and maturing between December 18, 2023 to November 15, 2041 (2016 - December 15, 2017 to November 15, 2041).

	<u>2016</u>	<u>2015</u>
Investments	\$ 986,007	\$ 993,685
Amounts maturing within one year	-	(12,000)
	<u>\$ 986,007</u>	<u>\$ 981,685</u>

4. Donations and Bequests

The donations and bequests revenue of \$18,997 for the year ended December 31, 2017 (2016 - \$16,621) includes \$1,540 (2016 - \$2,320) of donations and bequests for which charitable donation receipts were issued.

5. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CPSF's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and cash equivalents, short term investments and long term investments. CPSF manages its exposure to this risk by maintaining its cash and investments with a major Schedule A bank and a reputable investment broker.

(b) Liquidity risk

Liquidity risk is the risk that CPSF encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises from accounts payable and accrued liabilities. CPSF continues to focus on maintaining adequate liquidity to meet operating working capital requirements.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CPSF is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.