

Financial Statements

**Canadian Power Squadrons Foundation**

For the year ended December 31, 2018

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**Reilly Back LLP**  
217 - 445 Apple Creek Blvd.  
Markham, ON L3R 9X7  
Tel: 905-474-1110  
Fax: 905-947-0165

**REILLY | BACK**  
Chartered Professional Accountants

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Canadian Power Squadrons Foundation**

#### **Opinion**

We have audited the financial statements of Canadian Power Squadrons Foundation, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT, continued

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Reilly Back LLP

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

Markham, Ontario  
April 29, 2019

# Canadian Power Squadrons Foundation

## Statement of Financial Position

As at December 31, 2018

	2018	2017
<b>Assets</b>		
Current assets		
Cash	\$ 14,715	\$ 4,398
Accrued interest	281	281
Donations receivable	-	390
HST receivable	595	546
	<u>15,591</u>	<u>5,615</u>
Investments (note 3)	<u>927,632</u>	<u>986,007</u>
	<u>\$ 943,223</u>	<u>\$ 991,622</u>
<b>Liability</b>		
Current liability		
Accounts payable	\$ 6,290	\$ 5,947
<b>Net Assets</b>		
Net assets	<u>936,933</u>	<u>985,675</u>
	<u>\$ 943,223</u>	<u>\$ 991,622</u>

On behalf of the Board

("John Hinksman")

("Malcolm Blann")

## Canadian Power Squadrons Foundation

### Statement of Operations

For the year ended December 31, 2018

	2018	2017
<b>Revenues</b>		
Donations and bequests (note 4)	\$ 25,819	\$ 18,997
Investment income (note 3)	27,107	18,922
Unrealized (loss) gain on investments	(40,733)	79,873
	<u>12,193</u>	<u>117,792</u>
<b>Expenditures</b>		
Bank charges and investment management fees (note 3)	7,421	8,524
Canadian Power and Sail Squadrons	45,000	135,000
General	2,075	6,489
Non-recoverable tax	259	238
Professional fees	6,180	5,266
	<u>60,935</u>	<u>155,517</u>
<b>Deficiency of revenues over expenditures</b>	<u>\$ (48,742)</u>	<u>\$ (37,725)</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, 2018

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	2018	2017
<b>Net assets, beginning</b>	\$ 985,675	\$ 1,023,400
Deficiency of revenues over expenditures	<u>(48,742)</u>	<u>(37,725)</u>
<b>Net assets, end</b>	<u>\$ 936,933</u>	<u>\$ 985,675</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, 2018

	2018	2017
<b>Operating activities</b>		
Deficiency of revenues over expenditures	\$ (48,742)	\$ (37,725)
Adjustments for		
Unrealized loss (gain) on investments	40,733	(79,873)
Realized (gain) loss on investments	6,512	(2,098)
	<u>(1,497)</u>	<u>(119,696)</u>
Change in non-cash working capital items		
Accrued interest	-	5
Donations receivable	390	(390)
HST receivable	(49)	1,720
Accounts payable	343	(314)
	<u>(813)</u>	<u>(118,675)</u>
<b>Investing activities</b>		
Purchase of investments	(5,645)	-
Proceeds on sale of investments	16,775	89,649
	<u>11,130</u>	<u>89,649</u>
<b>Increase (decrease) in cash</b>	10,317	(29,026)
<b>Cash, beginning</b>	<u>4,398</u>	<u>33,424</u>
<b>Cash, end</b>	<u>\$ 14,715</u>	<u>\$ 4,398</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, 2018

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## 1. Nature of Operations

Canadian Power Squadrons Foundation ("the Foundation") is a charitable foundation incorporated by letters patent under the Canada Corporations Act on November 5, 1975. The Foundation 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) the Foundation 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

The Foundation 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.

The Foundation follows the deferral method of accounting for donations and bequests.

Unrestricted donations and bequests are recognized as revenue in the year in which the revenue is received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted donations and bequests are recognized as revenue in the year in which the related expenses are incurred.

The amount of any pledges to donate funds to the Foundation is not included in revenue until such time as funds are received.

Investment income is recognized when received or receivable if the amount to be received can be reasonably assured.

### (c) Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits, with terms to maturity of three months or less at the date of purchase.

### (d) Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and donations receivable. Financial liabilities measured at amortized cost include accounts payable.

## Canadian Power Squadrons Foundation

Notes to the Financial Statements

For the year ended December 31, 2018

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### 2. Accounting Policies, continued

#### (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.

### 3. Investments

The carrying value of bonds and equities by issuer as at December 31 is shown in the following table. The maximum exposure to market risk would be the fair value shown below.

	2018	2017
Fixed Income - Bonds	\$ 45,527	\$ 48,087
Equities	882,105	937,920
	<u>\$ 927,632</u>	<u>\$ 986,007</u>

The organization makes investments in corporate and government bonds, equities and equity investment accounts. The bonds bear interest at various rates between 3.30% and 4.55%. The bonds mature on a staggered basis from December 2023 until November 2041.

The estimated fair value of Held for Trading assets is based on quoted market prices from active markets. The equities and mutual funds are invested in Canadian and Global equities and are subject to stock market fluctuations.

	2018	2017
Net realized investment income		
Dividend and interest income	\$ 20,595	\$ 20,992
Gain (loss) on investments	6,512	(2,070)
Bank charges and investment management fees	(7,421)	(8,524)
	<u>\$ 19,686</u>	<u>\$ 10,398</u>

### 4. Donations and bequests

The donations and bequests revenue of \$25,819 for the year ended December 31, 2018 (2017 - \$18,997) includes \$1,425 (2017 - \$1,540) of donations and bequests for which charitable donation receipts were issued.

## Canadian Power Squadrons Foundation

Notes to the Financial Statements

For the year ended December 31, 2018

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### 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) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is exposed to fluctuations in equity markets on its long-term investments.

#### (b) Liquidity risk

The Foundation does have a liquidity risk in the accounts payable of \$6,290 (2017 - \$5,947). Liquidity risk is the risk that the Foundation cannot repay its obligations when they become due to its creditors. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Foundation low and is not material.

#### (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. The Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

There have been no changes to the Foundation's financial instrument risk exposure from the prior year.