

**Financial Statements of**

**SCUGOG LAKE STEWARDS INC.**

**December 31, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Scugog Lake Stewards Inc.,

### ***Qualified Opinion***

We have audited the accompanying financial statements of Scugog Lake Stewards Inc., 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 a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Scugog Lake Stewards Inc. as at December 31, 2018, 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.

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, the Organization derives revenues from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, current assets and net assets. The prior year's audit report was also qualified for this reason.

### ***Management's Responsibility and Those Charged with Governance 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.

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.

### ***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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Organization 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.

***Inclusive Accounting Professional Corporation - Seugog***

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

Port Perry, Ontario  
April 22, 2019

# SCUGOG LAKE STEWARDS INC.

## STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

|  | General<br>Fund<br>\$ | Restricted<br>Funds<br>\$ | 2018<br>Total<br>\$ | 2017<br>Total<br>\$ |
|--|-----------------------|---------------------------|---------------------|---------------------|
| <b>ASSETS</b>                            |                       |                           |                     |                     |
| <b>CURRENT ASSETS</b>                    |                       |                           |                     |                     |
| Cash                                     | 22,004                | 171,568                   | 193,572             | 131,034             |
| Investments                              | -                     | -                         | -                   | 100,000             |
| Accounts receivable (note 5)             | 804                   | 131,075                   | 131,879             | 244,961             |
| Prepaid expenses                         | 1,017                 | 4,500                     | 5,517               | 1,017               |
| Inter-fund receivable (payable)          | (9,849)               | 9,849                     | -                   | -                   |
|  | <u>13,976</u>         | <u>316,992</u>            | <u>330,968</u>      | <u>477,012</u>      |
| <b>CAPITAL ASSETS (note 6)</b>           | 790                   | 9,631                     | 10,421              | 988                 |
|  | <u>14,766</u>         | <u>326,623</u>            | <u>341,389</u>      | <u>478,000</u>      |
| <b>LIABILITIES</b>                       |                       |                           |                     |                     |
| <b>CURRENT LIABILITIES</b>               |                       |                           |                     |                     |
| Accounts payable and accrued liabilities | -                     | 19,925                    | 19,925              | 5,201               |
| <b>NET ASSETS</b>                        |                       |                           |                     |                     |
| Unrestricted general fund                | 14,766                | -                         | 14,766              | 5,380               |
| Externally restricted funds              | -                     | 306,698                   | 306,698             | 467,419             |
|  | <u>14,766</u>         | <u>306,698</u>            | <u>321,464</u>      | <u>472,799</u>      |
|  | <u>14,766</u>         | <u>326,623</u>            | <u>341,389</u>      | <u>478,000</u>      |

Approved on behalf of the Board:

  
\_\_\_\_\_

Director

  
\_\_\_\_\_

Director

# SCUGOG LAKE STEWARDS INC.

## STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2018

|   | <b>General<br/>Fund<br/>\$</b> | <b>Restricted<br/>Funds<br/>\$</b> | <b>2018<br/>Total<br/>\$</b> | <b>2017<br/>Total<br/>\$</b> |
|---|--------------------------------|------------------------------------|------------------------------|------------------------------|
| <b>BALANCE - beginning of year</b>  | 5,380                          | 467,419                            | 472,799                      | 305,626                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES FOR THE YEAR</b> | 9,386                          | (160,721)                          | (151,335)                    | 167,173                      |
| <b>BALANCE - end of year</b>  | 14,766                         | 306,698                            | 321,464                      | 472,799                      |

See accompanying notes to the financial statements

# SCUGOG LAKE STEWARDS INC.

## STATEMENT OF OPERATIONS

Year Ended December 31, 2018

|   | General<br>Fund<br>\$ | Restricted<br>Funds<br>\$ | 2018<br>Total<br>\$ | 2017<br>Total<br>\$ |
|---|-----------------------|---------------------------|---------------------|---------------------|
| <b>REVENUES</b>   |                       |                           |                     |                     |
| Donations   | 18,680                | 14,917                    | 33,597              | 20,636              |
| Fundraising   | -                     | 6,580                     | 6,580               | 4,991               |
| Grants  | (1,000)               | 1,000                     | -                   | 369,000             |
| Interest income   | -                     | 1,250                     | 1,250               | 1,735               |
|   | <u>17,680</u>         | <u>23,747</u>             | <u>41,427</u>       | <u>396,362</u>      |
| <b>EXPENDITURES</b>   |                       |                           |                     |                     |
| Advertising and promotion   | 75                    | 74                        | 149                 | 54                  |
| Amortization  | 198                   | 1,071                     | 1,269               | 247                 |
| Fundraising   | -                     | 30,691                    | 30,691              | 768                 |
| Insurance   | 1,402                 | -                         | 1,402               | 1,514               |
| Memberships   | 335                   | -                         | 335                 | 333                 |
| Office and general  | 1,424                 | 13,866                    | 15,290              | 9,396               |
| Professional fees   | 2,500                 | 3,800                     | 6,300               | 5,500               |
| LSEP fund   | -                     | 65,927                    | 65,927              | 134,875             |
| Research fund   | -                     | 68,919                    | 68,919              | 75,817              |
| Website   | 2,360                 | 120                       | 2,480               | 685                 |
|   | <u>8,294</u>          | <u>184,468</u>            | <u>192,762</u>      | <u>229,189</u>      |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES FOR THE YEAR</b> | <b>9,386</b>          | <b>(160,721)</b>          | <b>(151,335)</b>    | <b>167,173</b>      |

# SCUGOG LAKE STEWARDS INC.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

|  | 2018             | 2017            |
|--|------------------|-----------------|
|  | \$               | \$              |
| <b>CASH PROVIDED FROM (USED FOR)</b>                                 |                  |                 |
| <b>OPERATING ACTIVITIES</b>  |                  |                 |
| Excess (deficiency) of revenue over expenditures for the year        | (151,335)        | 167,173         |
| Add amortization of capital assets                                   | 1,269            | 247             |
|  | <u>(150,066)</u> | <u>167,420</u>  |
| Changes in non-cash working capital items:                           |                  |                 |
| Accounts receivable  | 113,082          | (244,408)       |
| Prepaid expenses   | (4,500)          | -               |
| Accounts payable and accrued liabilities                             | 14,723           | 2,200           |
|  | <u>(26,761)</u>  | <u>(74,788)</u> |
| <b>INVESTING ACTIVITIES</b>  |                  |                 |
| Disposition of investments   | 100,000          | 252,985         |
| Purchase of investments  | -                | (100,000)       |
| Purchase of capital assets   | (10,701)         | -               |
|  | <u>89,299</u>    | <u>152,985</u>  |
| <b>INCREASE IN CASH FOR THE YEAR</b>                                 | <b>62,538</b>    | <b>78,197</b>   |
| <b>CASH - beginning of year</b>                                      | <b>131,034</b>   | <b>52,837</b>   |
| <b>CASH - end of year (Restricted - \$171,568; 2017 - \$122,531)</b> | <b>193,572</b>   | <b>131,034</b>  |

# SCUGOG LAKE STEWARDS INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 1. NATURE OF THE ENTITY

Scugog Lake Stewards Inc. (the "Organization") is a corporation set up to assist with maintaining the health and well-being of Scugog Lake in Port Perry, Ontario. The Organization was incorporated without share capital under the Ontario Corporations Act as a not-for-profit organization.

The Organization is a registered charitable organization as defined in the Federal and Ontario Income Tax Acts. Accordingly, it is not subject to income taxes, provided certain requirements are met.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

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

#### (b) Fund accounting

The Organization follows the restricted fund method of accounting for contributions. Under these principles, resources are classified for accounting purposes into funds that pertain to particular activities or objectives specified. These funds are classified as follows:

i) The general fund accounts for the Organization's operating and administrative activity. This fund reports unrestricted donations.

iii) The externally restricted fund reports the Organization's funds which have stipulations made by the donor on how the funds are to be used. The related expenditures to these funds are allocated accordingly. The restricted funds include:

*Lake Scugog Enhancement Project (LSEP) fund* - for major projects relating to the enhancement of Lake Scugog

*Research fund* - for ongoing research that pertains to the lake



# SCUGOG LAKE STEWARDS INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(c) Revenue recognition*

Contributions are recognized as revenue in the appropriate fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges, due to their inherent nature, are not recorded in the financial statements until received. Investment income is recognized as revenue in the appropriate fund in the year in which it is earned.

#### *(d) Donated materials and services*

Some members donate significant amounts of time or materials as volunteers of the organization. Donated materials and services are not recognized in these statements because of the difficulty in determining their fair value.

#### *(e) Use of estimates*

The preparation of financial statements in accordance with Canadian standards for not-for-profit organizations requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amount of revenue and expenses during the period. The estimate used in the preparation of these financial statements the useful life of capital assets. Actual results could differ from these estimates.

#### *(f) Capital assets*

Purchased capital assets are recorded at cost. The Organization provides for amortization using the following methods and rates designed to amortize the cost of the capital assets over their useful life. The annual amortization rates and methods are as follows:

|           |                       |
|-----------|-----------------------|
| Tent      | 20% declining balance |
| Equipment | 20% declining balance |

#### *(g) Income taxes*

The Organization qualifies as a non-for-profit Organization as defined in the Federal and Ontario Income Tax Acts and consequently, the organization is not subject to corporate income taxes.

# SCUGOG LAKE STEWARDS INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

*(a) Measurement of financial instruments:*

The Organization's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The Organization initially measures its financial assets and liabilities at fair value, and subsequently measures them at amortized cost, with the exception of its investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

*(b) Liquidity risk:*

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides all of the Organization's cash requirements.

*(c) 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. The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Organization is not exposed to any significant credit risk.

*(d) Interest rate risk:*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to this risk through the investments asset.

### 4. Lake Scugog Enhancement Project (LSEP)

During the prior year, the Organization entered into a memorandum of understanding with the Township of Scugog ("the Township") to distribute the funds received for the LSEP project. In 2018, \$51,568 (2017 - \$133,200) was transferred to the Township for disbursement.

# SCUGOG LAKE STEWARDS INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 5. ACCOUNTS RECEIVABLE

Included in accounts receivable is government HST recoveries of \$5,280 (2017 - \$3,761). There is no allowance for doubtful accounts included in accounts receivable.

### 6. CAPITAL ASSETS

Capital assest consist of the following:

|           | Cost          | Accumulated<br>Amortization | Net Book Value |            |
|-----------|---------------|-----------------------------|----------------|------------|
|           |               |                             | 2018           | 2017       |
|           | \$            | \$                          | \$             | \$         |
| Tent      | 1,715         | (925)                       | 790            | 988        |
| Equipment | 10,701        | (1,070)                     | 9,631          | -          |
|           | <u>12,416</u> | <u>(1,995)</u>              | <u>10,421</u>  | <u>988</u> |

### 7. COMPARATIVE INORMATION

Certain comparative figures have been reclassified to conform with the current year's presentation.