

Financial Statements

**Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance**

For the Year Ended June 30, 2023

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REILLY | BACK
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Power and Sail Squadrons – Escadrilles canadiennes de plaisance

Opinion

We have audited the financial statements of Canadian Power and Sail Squadrons - Escadrilles canadiennes de plaisance, which comprise the statement of financial position as at June 30, 2023, and the statements of operations, statement of change 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 June 30, 2023, 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 ("ASNPO").

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 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 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.



Reilly Back LLP
Licensed Public Accountants

Markham, Ontario
October 18, 2023

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Statement of Financial Position
As at June 30, 2023

	2023	2022
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 157,825	\$ 541,666
Accounts receivable, net (note 4)	9,505	52,116
Sales tax receivable	13,485	10,910
Short-term investments (note 5)	263,000	300,000
Inventory	48,729	77,843
Prepaid expenses	26,295	50,501
	<u>518,839</u>	<u>1,033,036</u>
Investments (note 5)	60,000	110,000
Intangible assets (note 6)	81,130	40,324
Capital assets (note 7)	<u>315,202</u>	<u>373,813</u>
	<u>\$ 975,171</u>	<u>\$ 1,557,173</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 308,676	\$ 343,006
Current portion of deferred contributions (note 9)	97,723	61,000
Canada Emergency Business Account loan (note 10)	<u>30,000</u>	<u>-</u>
	<u>436,399</u>	<u>404,006</u>
Deferred contributions (note 9)	109,786	267,286
Canada Emergency Business Account loan (note 10)	<u>-</u>	<u>30,000</u>
	<u>546,185</u>	<u>701,292</u>
Net Assets		
Invested in capital assets	315,202	373,813
Unrestricted	<u>113,784</u>	<u>482,068</u>
	<u>428,986</u>	<u>855,881</u>
	<u>\$ 975,171</u>	<u>\$ 1,557,173</u>

Approved on behalf of the Board:

"Lise-Blais Huot"

Lise-Blaise Huot, SN, Chief Commander

"Nigel Stafford"

Nigel Stafford, JN, National Financial Officer

The accompanying notes form an integral part of these financial statements.

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Statement of Operations
For the Year Ended June 30, 2023

	2023	2022
Revenues		
Course material and education related	\$ 926,543	\$ 761,177
Membership fees and dues	288,959	284,632
Regalia and sundry resale items	20,591	24,139
Other fees and charges (notes 9 and 10)	169,383	132,838
Contribution projects	107,845	90,159
Investment income	6,039	10,057
Donations	123,566	161,507
	<u>1,642,926</u>	<u>1,464,509</u>
Expenditures		
Course material, regalia, and sundry resale items (note 6)	153,840	150,866
Chief Commander	3,734	2,428
Executive Department	203,964	28,751
Educational Department	41,750	24,841
Administrative Department	96,022	65,388
Secretary's Department	-	5,244
Financial Department	23,124	432
National Committees	-	19
The Port Hole / Le Hublot publications	12,997	37,691
National Office (note 11)	1,379,571	1,378,711
Marketing	154,819	78,164
	<u>2,069,821</u>	<u>1,772,535</u>
Deficiency of revenue over expenditures before undernoted items	(426,895)	(308,026)
Government assistance – Canada Emergency Wage Subsidy	-	26,871
Net deficiency of revenue over expenditures	<u>\$ (426,895)</u>	<u>\$ (281,155)</u>

The accompanying notes form an integral part of these financial statements.

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance

Statement of Changes in Net Assets
For the Year Ended June 30, 2023

	Invested in Capital Assets	Unrestricted	Total 2023	Total 2022
Balance, beginning of year	\$ 373,813	\$482,068	\$855,881	\$1,137,036
Net deficiency of revenues over expenditures	(174,486)	(252,409)	(426,895)	(281,155)
Investment in capital assets	115,875	(115,875)	-	-
Balance, end of year	<u>\$ 315,202</u>	<u>\$113,784</u>	<u>\$428,986</u>	<u>\$855,881</u>

The accompanying notes form an integral part of these financial statements.

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Statement of Cash Flows
For the Year Ended June 30, 2023

	2023	2022
Operating activities		
Deficiency of revenue over expenditures	\$ (426,895)	\$ (281,155)
Adjustments for items not affecting cash		
Amortization of property and equipment (notes 7 and 12)	174,486	135,862
Amortization of intangible assets (note 6)	49,622	57,552
	(202,787)	(87,741)
Change in non-cash working capital items		
Accounts receivable	42,611	6,839
Sales tax receivable	(2,575)	1,661
Inventory	29,114	(15,675)
Prepaid expenses	24,206	(2,287)
Accounts payable and accrued liabilities	(34,330)	(99,056)
	(143,761)	(196,259)
Investing activities		
Purchase of intangible assets	(90,428)	-
Purchase of property and equipment	(115,875)	-
Proceeds from investments	87,000	150,000
	(119,303)	150,000
Financing activities		
Deferred contributions	(120,777)	39,000
Obligation under a capital lease	-	(9,465)
	(120,777)	29,535
Decrease in cash and cash equivalents	(383,841)	(16,724)
Cash and cash equivalents (note 3), beginning	541,666	558,390
Cash and cash equivalents (note 3), end	\$ 157,825	\$ 541,666

The accompanying notes form an integral part of these financial statements.

Canadian Power and Sail Squadrons Escadrilles canadiennes de plaisance

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Nature of Operations

Canadian Power and Sail Squadrons - Escadrilles canadiennes de plaisance ("CPS-ECP") was incorporated without share capital on November 3, 1947 under the Canada Corporations Act. On July 15, 2014, CPS-ECP replaced the original letters patent and related by-laws with a certificate of continuance and new by-laws in compliance with the Canada Not-for-Profit Corporations Act. In accordance with the provisions of section 149 of the Income Tax Act, the corporation is exempt from income taxes.

CPS-ECP is a committed community of experienced boaters inspiring others to adopt a safe boating attitude through education and training. The mission of CPS-ECP to achieve this vision is: to teach safe boating practices and proper navigational techniques; to promote the cause of boating safety by creating a safe boating ethic; to advance the cause of boating safety in cooperation with other agencies and organizations; and to keep our Member and Volunteer community strong through ongoing social interaction and enjoyment.

2. Accounting Policies

a) Basis of accounting and presentation

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

b) Revenue recognition

CPS-ECP 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 are recognized as received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Course material and education related and regalia and sundry resale items revenue are recognized as revenue when the services are rendered or the goods are shipped and there is reasonable assurance of collection. Membership fees and dues are recognized on an annual basis in accordance with the year of the respective activity. Contribution projects revenue is recognized on an annual basis in accordance with the year of the respective activity. Revenue from investments is recognized when earned. Revenue from donations is recognized in the year of donation.

c) 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.

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Notes to Financial Statements
For the Year Ended June 30, 2023

2. Accounting Policies, continued

d) 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are impairment of inventory, capital asset amortization rates, impairment of capital assets, intangible asset amortization rates, impairment of intangible assets, accruals and amortization of deferred contributions. Any significant differences are reflected in the current year.

e) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, bank balances, guaranteed investment certificates and money market deposits on deposit with CPS-ECP's financial institutions with original maturity dates of three months or less at the date of acquisition.

f) Inventory

Inventory is recorded at the lower of cost and net realizable value and is expensed in course material, regalia and sundry resale items. Cost is determined on an average cost basis.

g) Assets under capital lease

Assets under capital leases are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the assets under capital lease over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. The annual amortization rate and method is as follows:

Computer equipment under capital lease	5 years
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h) Capital assets

Capital assets are recorded at cost less applicable donations and accumulated amortization except for land, which is carried at cost. Amortization is calculated on the straight-line basis once the asset is put into use, with the half-year rule in the year of acquisition, over the following periods:

Building	40 years
Computer equipment	5 years
Computer software	1 year
Furniture and equipment	5 years
Information systems	3 to 5 years

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Notes to Financial Statements
For the Year Ended June 30, 2023

2. Accounting Policies, continued

i) Intangible assets

CPS-ECP capitalizes training and business development costs when management believes they will generate future benefits and that all the ASNPO criteria for capitalization are met. Intangible assets are amortized on the basis of their useful life using the straight-line method once they have been put in use, with the half-year rule in the year of first use. These assets are tested for impairment if events or changes in circumstances indicate that the carrying amount exceeds the fair value. The impairment test consists in a comparison of the fair value of the unamortized assets with their carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

j) Asset impairment

CPS-ECP tests for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

3. Cash and Cash Equivalents

	2023	2022
Cash	\$ 136,491	\$ 362,044
BMO investment account	21,334	179,622
	<u>\$ 157,825</u>	<u>\$ 541,666</u>

CPS-ECP has a line of credit of \$300,000, which is secured by GIC term deposits held with BMO. This line of credit is repayable on demand and bears interest at prime rate plus 1.35%. Interest is calculated monthly in arrears, and payable monthly on the last day of each month. The prime rate as of June 30, 2023 is 6.95%. As at June 30, 2023, CPS-ECP has utilized \$nil (2022 - \$nil) of this facility.

4. Accounts Receivable

	2023	2022
Due from Squadrons	\$ -	\$ 63,324
Other	9,505	20,002
Allowance for doubtful accounts	-	(31,210)
	<u>\$ 9,505</u>	<u>\$ 52,116</u>

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Notes to Financial Statements
For the Year Ended June 30, 2023

5. Investments

	2023	2022
Guaranteed investment certificates, 1.90% to 5.05%, maturing from November 9, 2023 to May 16, 2025, at cost	\$ 323,000	\$ 410,000
Current portion, at cost	(263,000)	(300,000)
	<u>\$ 60,000</u>	<u>\$ 110,000</u>

6. Intangible Assets

	2023	2022
Deferred training and business development costs	\$ 288,846	\$ 198,418
Accumulated amortization	(207,716)	(158,094)
	<u>\$ 81,130</u>	<u>\$ 40,324</u>
Deferred training and business development costs, net		
Amortization of intangible assets included in Course material, regalia, and sundry resale items	<u>\$ 49,622</u>	<u>\$ 57,553</u>

7. Capital Assets

	2023		2022	
	Cost	Accumulated amortization	Net	Net
Assets under a capital lease	\$ 29,866	\$ (26,879)	\$ 2,987	\$ 8,960
Land	14,021	-	14,021	14,021
Buildings	338,585	(292,801)	45,784	54,249
Computer equipment	157,512	(155,468)	2,044	3,731
Furniture and equipment	89,934	(89,934)	-	4,324
Information systems (note 9)	692,929	(442,563)	250,366	288,528
	<u>\$1,322,847</u>	<u>\$ (1,007,645)</u>	<u>\$ 315,202</u>	<u>\$373,813</u>

8. Accounts Payable and Accrued Liabilities

	2023	2022
Due to Squadrons and affiliates, net	\$ 152,572	\$ 216,522
Other	156,104	126,484
	<u>\$ 308,676</u>	<u>\$ 343,006</u>

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance

Notes to Financial Statements

For the Year Ended June 30, 2023

9. Deferred Contributions

Deferred contributions represent unspent funds externally restricted for future conference fees, educational programs, capital assets and intangible assets. During fiscal 2023, CPS-ECP received \$25,000 (2022 - \$100,000) from the Canadian Power Squadrons Foundation ("CPSF"). The funds received in Fiscal 2022 were restricted for investment in the PCOC Online Course. The CPSF deferred contribution is being recognized into revenue over the estimated life of the Information Systems. In fiscal 2023, \$145,777 (2022- \$61,000) was recognized into revenue under Other Fees and Charges. Changes in the deferred contributions balance for the year are as follows:

	2023	2022
Balance	\$ 207,509	\$ 328,286
Less: current portion	(97,723)	(61,000)
Long-term portion	<u>\$ 109,786</u>	<u>\$ 267,286</u>

10. Canada Emergency Business Account Loan

In fiscal 2021, CPS-ECP received a \$40,000 Canada Emergency Business Account ("CEBA") loan from the Bank of Montreal under the federal government's COVID-19 stimulus measures. As at June 30, 2023, the CEBA loan balance was \$30,000 (2022 - \$30,000), bears no interest and is due on January 18, 2024. \$10,000 of the initial loan balance is forgivable under the terms of the CEBA loan and was previously reported in revenue under Other Fees and Charges. If unpaid at January 18, 2024, the balance converts to a term loan with a fixed interest rate of 5% and must be fully repaid by December 31, 2026.

11. National Office Expenses

	2023	2022
Amortization	\$ 174,487	\$ 135,862
Bad debts	(31,210)	1,275
Bank charges	38,101	45,402
General	89,367	98,782
National office building maintenance	57,966	22,695
Insurance	38,331	36,714
Membership records and supplies	4,209	10,164
Salaries and employee benefits	802,948	772,520
Stationary, printing, and postage	34,563	39,301
System maintenance and hosting	156,721	199,902
Telephone	14,088	16,094
	<u>\$ 1,379,571</u>	<u>\$ 1,378,711</u>

Canadian Power and Sail Squadrons
Escadrilles canadiennes de plaisance
Notes to Financial Statements
For the Year Ended June 30, 2023

12. 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) Fair Value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the CPS-ECP is a going concern and thus expects to fully repay the outstanding amounts and to fulfil their commitments.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. CPS-ECP is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. CPS-ECP's financial instruments that are exposed to concentrations of credit risk relate primarily to its cash and cash equivalents, short term investments and long-term investments. CPS-ECP manages its exposure to this risk by maintaining its cash and investments with a major Schedule bank and a reputable investment broker.

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. CPS-ECP is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

13. Subsequent Events

Subsequent to the yearend, in July 2023, CPS-ECP disposed of the land and building for gross proceeds of \$4,050,000. The Board intends to use a portion of the proceeds to satisfy the Due to Squadrons.