

WESLEY ACRES TRAILER PARK INC.

FINANCIAL STATEMENTS

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
WESLEY ACRES TRAILER PARK INC.

Opinion

We have audited the financial statements of **WESLEY ACRES TRAILER PARK INC.**, which comprise the balance sheet as at December 31, 2018, and the statements of income and retained earnings 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 Corporation 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 private enterprises.

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 Corporation 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 Canadian accounting standards for private enterprises, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

Picton, Ontario
April 13, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

WESLEY ACRES TRAILER PARK INC.

(Incorporated under the laws of Ontario)

**BALANCE SHEET
DECEMBER 31, 2018**


ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 92,147	\$ 317,232
Accounts receivable	62,776	37,021
Inventory	3,916	6,289
Prepaid expenses	15,702	13,845
HST receivable	11,918	-
Due from shareholder - note 5	<u>24,243</u>	<u>-</u>
	210,702	374,387
DEVELOPMENT COSTS RECEIVABLE - note 7	61,198	68,848
	<u>61,198</u>	<u>68,848</u>
	<u>\$ 271,900</u>	<u>\$ 443,235</u>

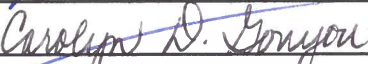
LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 28,828	\$ 105,947
HST payable	-	46,453
Income taxes payable - note 4	4,419	2,027
Due to shareholder - note 5	<u>-</u>	<u>25,090</u>
	33,247	179,517
DEVELOPMENT COSTS PAYABLE - note 7	<u>29,215</u>	<u>61,201</u>
	<u>62,462</u>	<u>240,718</u>
SHAREHOLDER'S EQUITY		
Share capital - note 6	100	100
Retained earnings	<u>209,338</u>	<u>202,417</u>
	<u>209,438</u>	<u>202,517</u>
	<u>\$ 271,900</u>	<u>\$ 443,235</u>


Approved by the Board:



Director



Director



Director

(See accompanying notes)

WESLEY ACRES TRAILER PARK INC.
STATEMENT OF INCOME AND AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Lot leases	\$ 679,869	\$ 657,284
Maintenance services	60,327	53,026
Miscellaneous	62,615	43,885
Program	-	1,643
Trailer sales	<u>162,447</u>	<u>82,743</u>
	<u>965,258</u>	<u>838,581</u>
EXPENSES		
Housekeeping (Schedule)	6,384	5,693
Administration (Schedule)	325,367	292,435
Maintenance (Schedule)	163,107	162,761
Promotion	1,334	3,005
Cost of trailer sales	156,872	71,560
Land rent	225,000	225,000
Boat storage	<u>5,000</u>	<u>-</u>
	<u>883,064</u>	<u>760,454</u>
Income before Other items and taxes	<u>82,194</u>	<u>78,127</u>
OTHER INCOME (EXPENSE)		
Development cost equalization	-	134
Donation to Wesley Acres Inc.	<u>(40,000)</u>	<u>(50,000)</u>
	<u>(40,000)</u>	<u>(49,866)</u>
Income before taxes	42,194	28,261
Income taxes	<u>4,419</u>	<u>2,027</u>
NET INCOME	37,775	26,234
RETAINED EARNINGS, beginning of year	202,417	176,183
Dividends paid to Wesley Acres Inc.	<u>(30,854)</u>	<u>-</u>
RETAINED EARNINGS, end of year	<u>\$ 209,338</u>	<u>\$ 202,417</u>

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

	2018	2017
SCHEDULE OF HOUSEKEEPING		
Wages and benefits	\$ 5,484	\$ 4,869
Supplies	826	824
Facility and equipment	74	-
	\$ 6,384	\$ 5,693

SCHEDULE OF ADMINISTRATION

Wages and benefits	\$ 167,115	\$ 141,526
Professional fees	24,059	17,585
Telephone	9,474	8,461
Board and committee	1,834	773
Office	13,616	13,612
Taxes and insurance	21,921	22,173
Travel expenses	328	1,520
Utilities	62,321	63,493
Miscellaneous	7,903	7,880
Bank charges	15,649	13,861
Bad debts	700	-
Shareholder loan interest	447	1,551
	\$ 325,367	\$ 292,435

SCHEDULE OF MAINTENANCE

Wages and benefits	\$ 67,991	\$ 67,153
Maintenance and repairs	85,460	88,501
Gas and diesel fuel	9,656	7,107
	\$ 163,107	\$ 162,761

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 37,775	\$ 26,234
Change in non-cash working capital components:		
Accounts receivable	(25,755)	(1,772)
Inventory	2,373	(5,584)
Prepaid expenses	(1,857)	55,288
HST payable/receivable	(58,371)	31,262
Accounts payable and accrued liabilities	(77,119)	67,815
Income taxes payable	<u>2,392</u>	<u>(12,579)</u>
	<u>(120,562)</u>	<u>160,664</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Development costs receivable	<u>7,650</u>	<u>(68,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from shareholder	(49,333)	(79,056)
Development costs payable	(31,986)	61,201
Dividends paid to wesley acres inc.	<u>(30,854)</u>	<u>-</u>
	<u>(112,173)</u>	<u>(17,855)</u>
INCREASE (DECREASE) IN CASH	(225,085)	73,961
CASH, beginning of year	<u>317,232</u>	<u>243,271</u>
CASH, end of year	<u>\$ 92,147</u>	<u>\$ 317,232</u>

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

1. BUSINESS ACTIVITIES

The Corporation was incorporated under the Business Corporations Act of the Province of Ontario on December 31, 2013. The Corporation is a Christ centred Corporation that leases trailer park sites to seasonal campers.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when estimating allowance for doubtful accounts and the carrying value of its inventories. Actual results could differ from these estimates.

Revenue recognition

Lot lease revenue is recognized over the course of the camping season as the services are provided. Provision of services is generally presumed to occur as the lessors complete each day of their rental term.

Revenues from maintenance services and miscellaneous revenues are recognized as the services are provided. Provision of services is generally presumed to occur as the maintenance has been completed and the service received.

Revenue from trailer sales is recognized when the ownership of the trailers has been transferred.

Inventory

Inventories are valued at the lower of cost and net realizable value with cost being determined substantially on a first-in, first-out basis.

WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, HST receivable, amounts due from shareholder, inventory and development costs receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, income taxes payable and development costs payable.

Income taxes

The Corporation accounts for income taxes using the taxes payable method.

3. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's exposure and concentration.

Credit risk

The Corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations or if there is a concentration of risk with one party. The Corporation provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, a review of outstanding amounts and maintains provisions for uncollectible amounts when required. The Corporation has no significant exposure to any single debtor and no provision for uncollectible amounts has been recorded in the current year.

The Corporation has exposure to credit risk in the balance due from its parent Corporation. Management believes that Wesley Acres Inc. has sufficient assets and will generate sufficient cash flow to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the company cannot meet its debts when they become due. The Corporation's management manages this risk by reviewing its expected future cash flow requirements and by holding cash reserves.

WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

3. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Corporation's cash is all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Corporation does not hold any financial instruments which will fluctuate due to changes in market interest rates, thus management does not believe it is exposed to significant interest rate risk.

Other price risk

Other price risk refers to the risk that fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Corporation does not hold any financial instruments whose value would fluctuate with other price risk, thus management does not believe that it is exposed to significant risk.

Changes in risk

There have been no significant changes in risk exposure from the prior year.

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

4. INCOME TAXES

The impact of differences between the Corporation's reported income tax expense and the expense that would otherwise result from the application of statutory tax rates as follows:

	2018	2017
Taxes payable at the combined federal and provincial statutory rate	\$ 16,667	\$ 11,163
Reduction (increase) in taxes from charitable donations carry forwards	(3,738)	3,738
Decrease in tax for the loss on disposal of assets	-	(9,564)
Reduction in tax due to small business deduction	(8,510)	(3,310)
	\$ 4,419	\$ 2,027

5. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions

The following related party transactions occurred in the normal course of business between the Corporation and its parent company, Wesley Acres Inc. and have been recorded at their exchange amount which is the amount agreed upon by the related parties.

Wesley Acres Inc.

	2018	2017
Expenses		
Land rent	\$ 225,000	\$ 225,000
Boat storage	5,000	-
Donation	40,000	50,000
	\$ 270,000	\$ 275,000

The amounts due to the parent company have no fixed terms of repayment. Interest of 2% annually is calculated on monthly balances.

The Corporation leases its land from Wesley Acres Inc. and is responsible for operating costs related to the facilities. In previous years an amount set at budget time was charged by Wesley Acres Inc. for shared costs each year, but this model has been replaced by utilizing set percentages of operating costs incurred throughout the year. The lease is for a period of twenty years and it commenced in 2017 and has a base rent of \$225,000.

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances

The continuity of the due to (from) shareholder balance is as follows:

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 25,090	\$ 268,611
Repayment of loan	(25,090)	-
Transfer of assets to Wesley Acres Inc.	(15,751)	(164,465)
Split costs owed from Wesley Acres Inc.	(10,835)	(68,170)
Split costs owed to Wesley Acres Inc.	1,896	5,898
HST owed from Wesley Acres Inc.	-	(18,335)
Interest owed on shareholder loan balance	<u>447</u>	<u>1,551</u>
	<u>\$ (24,243)</u>	<u>\$ 25,090</u>

Amounts due to (from) shareholder have no fixed terms of repayment. Interest of 2% annually is calculated on monthly balances.

6. SHARE CAPITAL

Share capital consists of the following:

Authorized:

The Corporation is authorized to issue an unlimited number of common shares.

Issued:

	<u>2018</u>	<u>2017</u>
Common shares - 100 shares	<u>\$ 100</u>	<u>\$ 100</u>

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

7. DEVELOPMENT COSTS

In 2012 development of 16 new lots began and significant down payments were requested of lot leaseholders interested in securing lots early, in order to cover the costs of the development. It was later determined that the development costs were not as significant as first anticipated. Additional lot lease holders who requested the lots paid development costs in their annual fees, however, the amounts were not the same as those who had secured lots early on. This inequity was rectified by Wesley Acres Trailer Park in 2017. In order to accomplish this, some lot leaseholders are owed money and others owe money.

Individuals who are owed money will be repaid over 5 years with 2% annual interest applied as a reduction to annual lot lease payments. Those who owe money will repay the balances over 10 years with no interest.

The schedule of repayments for the next five years is as follows:

Development costs receivable

2019	\$ 7,650
2020	7,650
2021	7,650
2022	7,650
2023	7,650
Subsequent years	<u>22,948</u>
	<u>\$ 61,198</u>

Development costs payable

2019	\$ 9,499
2020	9,736
2021	<u>9,980</u>
	<u>\$ 29,215</u>

8. COMMITMENTS

The Corporation has a lease agreement for the Xerox photocopier at an annual rental of \$4,729 plus HST. The lease expires in June 2019. The amount of the commitments until the end of the lease are as follows:

2019	<u>\$ 2,672</u>
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WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

9. EMPLOYEE PENSION PLAN

The Corporation is a member of the multi-employer pension plan, The Ministers' Pension Plan of The Free Methodist Church in Canada. The plan has two components, the first being a defined benefit plan to which membership and contributions were closed on March 31, 2009. The assets and liabilities of the defined benefit plan are not segregated and therefore are accounted for in the same manner as a defined contribution plan. The latest actuarial valuation of the multi-employer defined benefit plan, dated January 1, 2017, showed a plan surplus. The second component of the plan is a defined contribution plan. Members contribute between 3% and 6% of their earnings, with the corporation making matching contributions. The Corporation's contributions to this plan totaled \$1,050 for 2018 (2017 - \$1,082).

There were no changes in the contractual elements in the plan in the year.

10. ECONOMIC DEPENDENCE

The Corporation rents the land on which the trailer park resides from its parent Corporation Wesley Acres Inc. Wesley Acres Inc. invests in the infrastructure and equipment while the corporation share operating costs and staff. A situation like this would be very difficult to replace without damaging effects to the operations and net income of Wesley Acres Trailer Park Inc., thus, the Corporation is considered to be economically dependent on Wesley Acres Inc.