

WESLEY ACRES TRAILER PARK INC.

FINANCIAL STATEMENTS

December 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
WESLEY ACRES TRAILER PARK INC.

We have audited the accompanying financial statements of **WESLEY ACRES TRAILER PARK INC.**, which comprise the balance sheet as at December 31, 2017, and the statements of income and retained earnings 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 Company'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 Company'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **WESLEY ACRES TRAILER PARK INC.** 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 private enterprises.

Picton, Ontario
April 7, 2018

Welch LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

WESLEY ACRES TRAILER PARK INC.
(Incorporated under the laws of Ontario)
BALANCE SHEET
DECEMBER 31, 2017



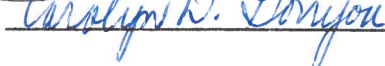
ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 317,232	\$ 243,271
Accounts receivable	37,021	35,249
Inventory	6,289	705
Prepaid expenses	<u>13,845</u>	<u>69,133</u>
	374,387	348,358
DEVELOPMENT COSTS RECEIVABLE - note 4	68,848	-
PROPERTY AND EQUIPMENT - note 5	<u>-</u>	<u>164,466</u>
	<u>\$ 443,235</u>	<u>\$ 512,824</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 105,947	\$ 38,133
HST payable	46,453	15,191
Income taxes payable - note 6	2,027	14,606
Due to shareholder - note 9	<u>25,090</u>	<u>268,611</u>
	179,517	336,541
DEVELOPMENT COSTS PAYABLE - note 4	<u>61,201</u>	<u>-</u>
	<u>240,718</u>	<u>336,541</u>
SHAREHOLDER'S EQUITY		
Share capital - note 7	100	100
Retained earnings	<u>202,417</u>	<u>176,183</u>
	<u>202,517</u>	<u>176,283</u>
	<u>\$ 443,235</u>	<u>\$ 512,824</u>

Approved by the Board:

	Director
	Director
	Director

(See accompanying notes)

WESLEY ACRES TRAILER PARK INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Accommodations - note 8	\$ -	\$ 117,554
Facilities - note 8	-	11,515
Food services - note 8	-	120,972
Lot leases	657,284	668,998
Maintenance services	53,026	56,016
Miscellaneous	43,885	67,832
Program	1,643	15,147
Trailer infrastructure	-	5,000
Trailer sales	82,743	64,700
	<u>838,581</u>	<u>1,127,734</u>
EXPENSES		
Housekeeping	5,693	66,232
Administration	292,435	467,584
Promotion	3,005	8,444
Food Services	-	101,589
Maintenance	162,761	260,292
Program	-	10,898
Cost of trailer sales	71,560	58,212
Land rent - note 9	225,000	18,000
	<u>760,454</u>	<u>991,251</u>
Income before other items and taxes	<u>78,127</u>	<u>136,483</u>
OTHER REVENUE (EXPENSES)		
Amortization of property and equipment	-	(26,346)
Shared cost recovery - note 9	-	23,332
Loss on disposal of assets	-	(3,600)
Development cost equalization - note 4	134	-
Donation to Wesley Acres	(50,000)	-
	<u>(49,866)</u>	<u>(6,614)</u>
Income before taxes	28,261	129,869
Income taxes	<u>2,027</u>	<u>14,606</u>
NET INCOME	26,234	115,263
RETAINED EARNINGS, beginning of year	<u>176,183</u>	<u>60,920</u>
RETAINED EARNINGS, end of year	<u>\$ 202,417</u>	<u>\$ 176,183</u>

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

	2017	2016
SCHEDULE OF HOUSEKEEPING		
Wages and benefits	\$ 4,869	\$ 53,380
Supplies	824	11,299
Facility and equipment	-	1,553
	\$ 5,693	\$ 66,232

SCHEDULE OF ADMINISTRATION

Wages and benefits	\$ 141,526	\$ 127,598
Professional fees	17,585	26,775
Telephone	8,461	13,853
Board and committee	773	1,239
Office	13,612	26,572
Taxes and insurance	22,173	88,837
Travel expenses	1,520	4,262
Utilities	63,493	144,242
Miscellaneous	7,880	16,278
Bank charges	13,861	12,765
Shareholder loan interest	1,551	5,163
	\$ 292,435	\$ 467,584

SCHEDULE OF PROMOTION

Printing	\$ 3,005	\$ 4,536
Education and training	-	3,908
	\$ 3,005	\$ 8,444

SCHEDULE OF FOOD SERVICES

Food	\$ -	\$ 98,785
Miscellaneous	-	2,804
	\$ -	\$ 101,589

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
SCHEDULE OF MAINTENANCE		
Wages and benefits	\$ 67,153	\$ 140,997
Maintenance and repairs	88,501	107,987
Gas and diesel fuel	7,107	10,783
Miscellaneous	<u>-</u>	<u>525</u>
	<u>\$ 162,761</u>	<u>\$ 260,292</u>
 SCHEDULE OF PROGRAM		
Supplies	\$ -	\$ 5,084
Honoraria	<u>-</u>	<u>5,814</u>
	<u>\$ -</u>	<u>\$ 10,898</u>

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 26,234	\$ 115,263
Adjustments for:		
Amortization	-	26,346
Loss on disposal of property and equipment	-	3,600
	<u>26,234</u>	<u>145,209</u>
Change in non-cash working capital components:		
Accounts receivable	(1,772)	(19,081)
Inventory	(5,584)	654
Prepaid expenses	55,288	13,248
Accounts payable and accrued liabilities	67,815	(32,370)
Deferred revenue	-	(976)
HST payable	31,262	6,848
Income taxes	(12,579)	12,866
	<u>160,664</u>	<u>126,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs receivable	(68,848)	-
Purchase of capital assets	-	(26,490)
	<u>(68,848)</u>	<u>(26,490)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (to) shareholder	(79,056)	44,401
Development costs payable - note 4	61,201	-
	<u>(17,855)</u>	<u>44,401</u>
INCREASE IN CASH	73,961	144,309
CASH, beginning of year	<u>243,271</u>	<u>98,962</u>
CASH, end of year	<u>\$ 317,232</u>	<u>\$ 243,271</u>

(See accompanying notes)

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

1. BUSINESS ACTIVITIES

The Company was incorporated under the Business Corporations Act of the Province of Ontario on December 31, 2013. The Company is a Christ centred company 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

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.

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.

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, 2017**

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 and development costs receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, HST payable, income taxes payable, amounts due to shareholder and development costs payable.

Income taxes

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

3. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization'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

Liquidity risk

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

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.

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

3. FINANCIAL INSTRUMENTS (continued)

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. Management doesn't 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, 2017**

4. DEVELOPMENT COSTS RECEIVABLE AND PAYABLE

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

	2017
2018	\$ 7,650
2019	7,650
2020	7,650
2021	7,650
2022	7,650
Thereafter	30,598
	\$ 68,848

Development costs payable

	2017
2018	\$ 14,836
2019	15,141
2020	15,452
2021	15,772
	\$ 61,201

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

5. PROPERTY AND EQUIPMENT

	<u>2017</u>			<u>2016</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Aldersgate lodge	\$ -	\$ -	\$ -	\$ 21,531
Equipment	-	-	-	18,907
Vehicles	-	-	-	9,467
Roads	-	-	-	41,346
Water systems	-	-	-	16,654
Youth Lounge	-	-	-	4,150
Electrical	-	-	-	38,567
Plumbing	-	-	-	5,578
Signage	-	-	-	8,266
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,466</u>

All capital assets were transferred to Wesley Acres Inc. at net book value effective January 1, 2017.

6. INCOME TAXES

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

	<u>2017</u>	<u>2016</u>
Taxes (recoverable) payable at the combined federal and provincial statutory rate	\$ 11,163	\$ 51,298
Increase in tax due to amortization in excess of CCA	-	2,060
Reduction in taxes from charitable donations	3,738	(16,323)
Decrease in tax for the loss on disposal of assets	(9,564)	1,422
Tax on amounts not deductible for tax purposes	-	7
Reduction in tax due to small business deduction	(3,310)	(23,858)
	<u>\$ 2,027</u>	<u>\$ 14,606</u>

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

7. SHARE CAPITAL

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

Issued:

	2017	2016
Common shares - 100 shares	\$ 100	\$ 100

8. REORGANIZATION

The operations of Wesley Acres Trailer Park Inc. and its parent Wesley Acres Inc. were reorganized effective January 1, 2017. Revenues and expenses related to accommodations, facilities and food services were reallocated to Wesley Acres Inc., leaving Wesley Acres Trailer Park Inc. with the revenues and expenses related to the core operation of the trailer park.

Property and equipment previously capitalized by Wesley Acres Trailer Park Inc. was transferred to Wesley Acres Inc. as part of this reorganization.

9. RELATED PARTY TRANSACTIONS

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

The following related party transactions occurred in the normal course of business and have been recorded at their exchange amount which is the amount agreed upon by the related parties.

	2017	2016
Shared cost recovery	\$ -	\$ 23,332
Land rental costs paid by the Corporation to the Corporation's shareholder	\$ (225,000)	\$ (18,000)

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

9. RELATED PARTY TRANSACTIONS (continued)

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.

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

	<u>2017</u>	<u>2016</u>
Opening balance	\$ 268,611	\$ 224,210
Transfer of assets to Wesley Acres Inc.	(164,465)	-
Split costs owed from Wesley Acres Inc.	(68,170)	(50,537)
Split costs owed to Wesley Acres Inc.	5,898	89,775
HST owed from Wesley Acres Inc.	(18,335)	-
Interest owed on shareholder loan balance	<u>1,551</u>	<u>5,163</u>
	<u>\$ 25,090</u>	<u>\$ 268,611</u>

10. 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 \$1,082 for 2017 (2016 - \$3,169).

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

**WESLEY ACRES TRAILER PARK INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

11. COMMITMENTS

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

2018	\$ 4,729
2019	<u>2,365</u>
	<u>\$ 7,094</u>

12. ECONOMIC DEPENDENCE

The company rents the land on which the trailer park resides from its parent organization Wesley Acres Inc. Wesley Acres Inc. invests in the infrastructure and equipment while the organizations 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 company is considered to be economically dependent on Wesley Acres Inc.