

WESLEY ACRES TRAILER PARK INC.

FINANCIAL STATEMENTS

year ended

DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the directors of

WESLEY ACRES TRAILER PARK INC.

Report on the Financial Statements

We have audited the accompanying financial statements of Wesley Acres Trailer Park Inc., which comprise the balance sheet as at December 31, 2016 and the statements of income (loss) 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 entity'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 entity'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 non-consolidated 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, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for private enterprises.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Picton, Ontario
June 13, 2017

WESLEY ACRES TRAILER PARK INC.

(Incorporated under the laws of Ontario)

BALANCE SHEET

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 243,271	\$ 98,962
Accounts receivable	35,249	16,168
Inventory	705	1,359
Prepaid expenses	<u>69,133</u>	<u>82,381</u>
	<u>348,358</u>	<u>198,870</u>
PROPERTY AND EQUIPMENT - note 4	<u>164,466</u>	<u>167,922</u>
	<u>\$ 512,824</u>	<u>\$ 366,792</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 38,133	\$ 70,502
HST payable	15,191	8,343
Income taxes - note 5	14,606	1,740
Deferred revenue	-	976
Due to shareholder - note 8	<u>268,611</u>	<u>224,210</u>
	<u>336,541</u>	<u>305,771</u>
SHAREHOLDER'S EQUITY		
Capital stock - note 7	100	100
Retained earnings	<u>176,183</u>	<u>60,921</u>
	<u>176,283</u>	<u>61,021</u>
	<u>\$ 512,824</u>	<u>\$ 366,792</u>

Approved by the Board:

..... Director

..... Director

WESLEY ACRES TRAILER PARK INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Accommodations	\$ 122,297	\$ 98,967
Facilities	11,515	8,456
Food services	120,972	141,715
Lot lease	664,256	631,169
Maintenance services	56,016	63,160
Miscellaneous	67,832	53,817
Program	15,147	16,238
Trailer sales	64,700	-
Trailer infrastructure	<u>5,000</u>	<u>4,250</u>
	<u>1,127,735</u>	<u>1,017,772</u>
EXPENSES (per schedule)		
Housekeeping	66,232	61,764
Administration	467,586	465,129
Promotion	8,444	6,380
Food services	101,589	122,512
Facilities	260,292	321,894
Program	10,898	11,834
Cost of trailer sales	<u>58,212</u>	<u>-</u>
	<u>973,253</u>	<u>989,513</u>
INCOME FROM OPERATIONS before other	<u>154,482</u>	<u>28,259</u>
OTHER REVENUE (EXPENSES)		
Amortization of property and equipment	(26,346)	(22,083)
Shared cost recovery - note 8	5,332	33,176
Loss on disposal of assets	<u>(3,600)</u>	<u>-</u>
	<u>(24,614)</u>	<u>11,093</u>
INCOME BEFORE DONATIONS AND INCOME TAXES	129,868	39,352
Donation to Wesley Acres Inc.	<u>-</u>	<u>(75,000)</u>
INCOME (LOSS) BEFORE INCOME TAXES	129,868	(35,648)
INCOME TAXES - note 5	<u>14,606</u>	<u>1,740</u>
NET INCOME (LOSS)	115,262	(37,388)
RETAINED EARNINGS, beginning of year	<u>60,921</u>	<u>98,309</u>
RETAINED EARNINGS, end of year	<u>\$ 176,183</u>	<u>\$ 60,921</u>

WESLEY ACRES TRAILER PARK INC.

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
HOUSEKEEPING		
Wages and benefits	\$ 53,380	\$ 47,813
Supplies	11,299	10,901
Facility and equipment	<u>1,553</u>	<u>3,050</u>
	<u>\$ 66,232</u>	<u>\$ 61,764</u>
ADMINISTRATION		
Wages and benefits	\$ 127,600	\$ 132,602
Professional fees	26,775	23,830
Telephone	13,853	16,463
Board and committee	1,239	2,805
Office	26,572	25,564
Taxes and insurance	88,837	90,263
Travel expenses	4,262	4,483
Utilities	144,242	139,962
Miscellaneous	16,278	13,331
Bank charges	12,765	13,021
Shareholder loan interest	5,163	-
Bad debts	<u>-</u>	<u>2,805</u>
	<u>\$ 467,586</u>	<u>\$ 465,129</u>
PROMOTION		
Printing	\$ 4,536	\$ 2,436
Education and training	<u>3,908</u>	<u>3,944</u>
	<u>\$ 8,444</u>	<u>\$ 6,380</u>
FOOD SERVICES		
Food	\$ 98,785	\$ 118,676
Miscellaneous	<u>2,804</u>	<u>3,836</u>
	<u>\$ 101,589</u>	<u>\$ 122,512</u>
FACILITIES		
Wages and benefits	\$ 140,997	\$ 153,154
Maintenance and repairs	107,987	156,453
Gas and diesel fuel	10,783	11,134
Miscellaneous	<u>525</u>	<u>1,153</u>
	<u>\$ 260,292</u>	<u>\$ 321,894</u>
PROGRAM		
Supplies	\$ 5,084	\$ 3,633
Honoraria	<u>5,814</u>	<u>8,201</u>
	<u>\$ 10,898</u>	<u>\$ 11,834</u>

**WESLEY ACRES TRAILER PARK INC.
STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 115,262	\$ (37,388)
Adjustments for:		
Loss on disposal of assets	3,600	-
Amortization	<u>26,346</u>	<u>22,083</u>
	145,208	(15,305)
Changes in non-cash working capital components:		
Accounts receivable	(19,081)	9,717
HST payable	6,848	51,855
Inventory	654	589
Prepaid expenses	13,248	(33,812)
Income taxes payable	12,866	(17,338)
Accounts payable and accrued liabilities	(32,369)	31,448
Deferred revenue	<u>(976)</u>	<u>(381)</u>
Cash flows from operating activities	<u>126,398</u>	<u>26,773</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(26,490)</u>	<u>(116,882)</u>
Cash flows from investing activities	<u>(26,490)</u>	<u>(116,882)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in amounts due to shareholder - net	<u>44,401</u>	<u>(155,837)</u>
Cash flows from financing activities	<u>44,401</u>	<u>(155,837)</u>
 INCREASE (DECREASE) IN CASH	144,309	(245,946)
 CASH, beginning of year	<u>98,962</u>	<u>344,908</u>
 CASH, end of year	<u>\$ 243,271</u>	<u>\$ 98,962</u>

WESLEY ACRES TRAILER PARK INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 campers and provides group and individual accommodations for those taking part in programs run by Wesley Acres Trailer Park Inc. and its parent organization, Wesley Acres Inc.

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, the carrying value of its inventories and the useful life of its property and equipment. Actual results could differ from these estimates.

Revenue recognition

Revenues from accommodations, facilities, programs, maintenance services and miscellaneous are recognized as the services are provided. Provision of services is generally presumed to occur as guests complete each day of their stay.

Revenue from food services is recorded when the sales occur.

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 maintenance services is recognized when the service is provided.

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.

Property and equipment

Property and equipment are stated at acquisition cost. Amortization is provided on a straight-line basis over the estimated life of the assets as follows:

Water System	-15 years
Roads	-12 years
Electrical	- 5 years
Equipment	- 5 years
Signage	- 5 years
Plumbing	-25 years
Aldersgate Lodge	-25 years
Vehicles	-3 years

WESLEY ACRES TRAILER PARK INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 and accounts receivable.

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

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.

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.

WESLEY ACRES TRAILER PARK INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

3. FINANCIAL INSTRUMENTS - CONTINUED

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

Risk has decreased this year as liquidity risk has decreased. The cash reserves have increased significantly and accounts payable and accrued liabilities have decreased. This is offset by an increase in due to shareholder. There have been no significant changes in other risks.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016			2015
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Water system	\$ 18,900	\$ 2,246	\$ 16,654	\$ 9,586
Roads	49,905	8,559	41,346	45,504
Electrical	45,918	7,351	38,567	37,666
Trailers	-	-	-	3,600
Equipment	43,344	24,437	18,907	27,575
Signage	16,375	8,109	8,266	11,541
Plumbing	6,340	762	5,578	5,833
Aldersgate Lodge	23,403	1,872	21,531	22,467
Youth Lounge	4,150	-	4,150	4,150
Vehicle	14,200	4,733	9,467	-
	<u>\$ 222,535</u>	<u>\$ 58,069</u>	<u>\$ 164,466</u>	<u>\$ 167,922</u>

WESLEY ACRES TRAILER PARK INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

5. 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>2016</u>	<u>2015</u>
Taxes (recoverable) payable at the combined federal and provincial statutory rate	\$ 51,298	\$ (14,081)
Increase in tax due to amortization in excess of CCA	2,060	2,192
Reduction in taxes from charitable donations carried forward	(16,323)	-
Future tax reduction from charitable donation carry forward	-	16,323
Impact on taxes for the loss on disposal of assets	1,422	-
Tax on amounts not deductible for tax purposes	7	-
Reduction in tax due to small business deduction	<u>(23,858)</u>	<u>(2,694)</u>
Income tax expense	<u>\$ 14,606</u>	<u>\$ (14,583)</u>

6. 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, 2014, 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 totalled \$3,169 for 2016 (2015 - \$4,625).

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

7. CAPITAL STOCK

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

Issued:

	<u>2016</u>	<u>2015</u>
Common shares - 100 shares	<u>\$ 100</u>	<u>\$ 100</u>

WESLEY ACRES TRAILER PARK INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

8. 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.

	<u>2016</u>	<u>2015</u>
Shared cost recovery paid by the Corporation's shareholder	\$ 23,332	\$ 45,176
Land rental costs paid by the Corporation to the Corporation's shareholder	<u>(18,000)</u>	<u>(12,000)</u>
Shared cost recovery	<u>\$ 5,332</u>	<u>\$ 33,176</u>

The Corporation leases its facilities from Wesley Acres Inc. and is responsible for operating costs related to the facilities. The lease is for a period of twenty years and it commenced in 2014 and has a base rent of \$18,000 plus such additional rent as agreed to by the lessor and lessee.

9. 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:

2017	\$ 4,729
2018	4,729
2019	<u>2,365</u>
	<u>\$ 11,823</u>

The Corporation has a lease agreement with Wesley Acres Inc. as described in note 8.

10. SUBSEQUENT EVENT

Subsequent to the year-end the board decided to equalize development costs that have been paid by lot leaseholders since 2012 to assist in the development of 16 new lots. The equalization has resulted in amounts owing to lot leaseholders of \$75,741 and amounts owing from lot leaseholders of \$76,498. Amounts owing to lot leaseholders are to be paid in equal instalments over five years, bearing interest at 2.5% annually. Amounts owing by lot leaseholders are to be paid in equal instalments over ten years, without interest.