

Financial statements of

**Welland Recreational Canal
Corporation**

December 31, 2012

Welland Recreational Canal Corporation

December 31, 2012

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Independent Auditor's Report

To the Board Members, Members of Council,
Inhabitants and Taxpayers of the Corporation of
the City of Welland

We have audited the accompanying financial statements of the Welland Recreational Canal Corporation, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change in net debt 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 public sector accounting standards, 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 auditors consider 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 financial statements.

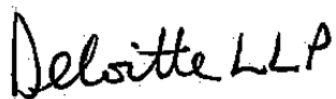
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Welland Recreational Canal Corporation derives revenue from donations and cash sales, 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 Welland Recreational Canal Corporation and we were not able to determine whether any adjustments might be necessary to donations and other revenue, annual deficit, assets, net debt and accumulated surplus.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Welland Recreational Canal Corporation as at December 31, 2012, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 11, 2013

Welland Recreational Canal Corporation

Statement of operations year ended December 31, 2012

	2012	2011
	\$	\$
Revenue		
Municipal contribution - operating	630,000	677,200
Municipal contribution - capital	-	135,000
Donations - operating	638	3,278
Grants - operating	14,304	1,684
Flatwater rental program	8,833	9,277
Flatwater events and rentals (Note 3)	145,860	242,908
IlluminAqua (Note 4)	109,625	92,570
Canoe Niagara (Note 5)	391,676	-
Swim Niagara (Note 6)	267,366	-
Art on Water (Note 7)	116,500	-
Other	13,873	15,940
	1,698,675	1,177,857
Expenses		
Administration	39,290	58,588
Advertising and promotion	14,382	25,707
Amortization	221,664	220,369
Art on Water (Note 7)	80,091	-
Audit fees	5,000	8,500
Canoe Niagara (Note 5)	391,676	-
Consulting	708	53,515
Equipment rentals	10,085	16,767
Flatwater rental program	1,688	653
Flatwater events and rentals (Note 3)	75,703	164,937
IlluminAqua (Note 4)	159,975	154,991
Insurance	78,162	69,044
Legal fees	3,273	4,923
Maintenance	154,984	183,159
Operating supplies	52,802	62,164
Property leases	2,288	2,221
Security	4,352	3,203
Swim Niagara (Note 6)	267,366	-
Special events	7,803	21,863
Utilities	19,939	18,188
Wages and benefits	251,365	228,556
Youth programs	-	8,000
Other expenses	-	500
	1,842,596	1,305,848
Annual deficit	(143,921)	(127,991)
Accumulated surplus, beginning of year	2,513,128	2,641,119
Accumulated surplus, end of year (Note 8)	2,369,207	2,513,128

Welland Recreational Canal Corporation

Statement of change in net debt year ended December 31, 2012

	2012	2011
	\$	\$
Annual deficit	(143,921)	(127,991)
Amortization of tangible capital assets	221,664	220,369
Acquisition of tangible capital assets	(91,914)	(153,677)
	129,750	66,692
Consumption of prepaid expenses	-	1,000
Increase in net debt	(14,171)	(60,299)
Net debt, beginning of year	(149,310)	(89,011)
Net debt, end of year	(163,481)	(149,310)

Welland Recreational Canal Corporation

Statement of financial position
as at December 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	228,231	4,697
Accounts receivable	84,218	12,711
Notes receivable (Note 9)	19,000	25,000
	331,449	42,408
Liabilities		
Accounts payable and accrued liabilities	33,936	105,218
Due to City of Welland (Note 10)	86,598	86,500
Deferred revenue (Note 11)	374,396	-
	494,930	191,718
Net debt	(163,481)	(149,310)
Non-financial assets		
Tangible capital assets (Schedule 1)	2,532,688	2,662,438
	2,532,688	2,662,438
Accumulated surplus (Note 8)	2,369,207	2,513,128

Approved by the Board

_____ Director

_____ Director

Welland Recreational Canal Corporation

Statement of cash flows year ended December 31, 2012

	2012	2011
	\$	\$
Operating activities		
Annual deficit	(143,921)	(127,991)
Non-cash items		
Amortization	221,664	220,369
(Increase) decrease in accounts receivable	(71,507)	26,260
(Decrease) increase in accounts payable and accrued liabilities	(71,282)	19,166
Increase in due to City of Welland	98	52,491
Increase (decrease) in deferred revenue	374,396	(50,000)
Decrease in prepaid expenses	-	1,000
	309,448	141,295
Capital activity		
Acquisition of tangible capital assets	(91,914)	(153,677)
Investing activity		
Repayment of notes receivable	6,000	4,500
	6,000	4,500
Net increase (decrease) in cash	223,534	(7,882)
Cash, beginning of year	4,697	12,579
Cash, end of year	228,231	4,697

Welland Recreational Canal Corporation

Notes to the financial statements

December 31, 2012

1. Nature of operations

The Welland Recreational Canal Corporation (the "Corporation") manages, administers, improves and develops the Welland Recreational Canal Lands. The Corporation of the City of Welland holds a reserve fund to fund the expenses of the Welland Recreational Canal Corporation.

2. Significant accounting policies

The financial statements of the Corporation have been prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Corporation are as follows:

Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Corporation.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing the Corporation services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Land improvements	10-50 years
Buildings	5-30 years
Machinery and equipment	5-20 years
Infrastructure	20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

Other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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. Actual results could differ from those estimates.

Welland Recreational Canal Corporation

Notes to the financial statements

December 31, 2012

3. Flatwater events and rentals

	2012	2011
	\$	\$
Revenue		
Event revenues	44,979	164,346
Event parking	9,859	25,632
User group revenue	33,935	20,982
Grants	12,831	11,988
Donations	20,040	10,132
Rentals	20,322	9,489
Other	3,894	339
	145,860	242,908
Expenses		
Administration	4,323	1,738
Advertising and promotion	6,966	3,381
Equipment rentals	12,753	17,654
Maintenance	8,652	25,976
Operating supplies	8,664	22,746
Security	7,017	17,566
Special events	451	5,897
Utilities	6,144	6,381
Wages and benefits	8,999	39,964
Youth programs	11,734	23,634
	75,703	164,937

4. IlluminAqua

	2012	2011
	\$	\$
Revenues		
Equipment rentals	4,208	-
Tickets	67,730	62,798
Administrative	3	-
Merchandise	719	841
Vendors	1,118	2,863
Donations	17,000	12,308
Beer and wine sales	18,847	13,760
	109,625	92,570
Expenses		
Administration	1,524	573
Advertising and promotion	17,596	11,837
Consulting	5,000	5,000
Equipment rentals	3,446	2,805
Maintenance	3,314	1,851
Operating supplies	17,315	17,234
Performance fees	51,852	55,150
Production costs	48,300	46,000
Security	2,100	1,972
Special events	220	1,019
Ticket processing	6,342	7,351
Wages and benefits	2,966	4,199
	159,975	154,991

Welland Recreational Canal Corporation

Notes to the financial statements

December 31, 2012

5. Canoe Niagara

	2012	2011
	\$	\$
Revenues		
Donations and sponsorships	4,950	-
Grants - lower tier and program	11,122	-
Grants - Province of Ontario	375,604	-
	391,676	-
Expenses		
Accommodations	106	-
Administration	45,093	-
Advertising and promotion	19,985	-
Equipment rentals	28,152	-
Maintenance	52,396	-
Operating supplies	11,342	-
Professional services	67,998	-
Special events	1,262	-
Utilities	823	-
Wages and benefits	159,519	-
Youth programs	5,000	-
	391,676	-

6. Swim Niagara

	2012	2011
	\$	\$
Revenues		
Donations and sponsorships	28,878	-
Grants - upper tier	220,000	-
Administrative services	5,158	-
General revenues	13,330	-
	267,366	-
Expenses		
Accommodations	71,100	-
Administration	17,250	-
Advertising and promotion	8,626	-
Equipment rentals	16,804	-
Maintenance	55,025	-
Operating supplies	57,137	-
Professional services	8,993	-
Special events	1,881	-
Wages and benefits	30,550	-
	267,366	-

Welland Recreational Canal Corporation

Notes to the financial statements

December 31, 2012

7. Art on Water

	2012	2011
	\$	\$
Revenues		
Grants - upper tier	115,000	-
Administrative services	500	-
Land leases and rent	1,000	-
	<u>116,500</u>	<u>-</u>
Expenses		
Administration	1,948	-
Advertising and promotion	552	-
Equipment rentals	1,652	-
Maintenance	26,279	-
Operating supplies	10,739	-
Performance fees	6,700	-
Security	493	-
Special events	147	-
Wages and benefits	31,581	-
	<u>80,091</u>	<u>-</u>

8. Accumulated surplus

	2012	2011
	\$	\$
Net debt	(163,481)	(149,310)
Investment in tangible capital assets	2,532,688	2,662,438
	<u>2,369,207</u>	<u>2,513,128</u>

9. Notes receivable

In November, 2010, notes receivable were issued to the Notre Dame Rowing Club and the South Niagara Canoe Club in the amount of \$15,000 each. The notes are to be repaid over five years by way of monthly principal payments of \$250 plus interest at an annual rate of 4%.

10. Due to City of Welland

The amounts due to the City of Welland bear no interest, have no fixed terms of repayment and are unsecured.

11. Deferred revenue

The deferred revenue amount represents the unspent portion of a grant received from the Province of Ontario.

12. Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable, deferred revenue and due to the City of Welland. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their short-term maturities.

Welland Recreational Canal Corporation

Schedule of tangible capital assets
year ended December 31, 2012

	Land improvements	Buildings	Machinery and equipment	Infrastructure	Work in progress	2012	2011
	\$	\$	\$	\$	\$	\$	\$
Cost							
Beginning of year	1,516,575	664,821	1,045,689	164,280	6,804	3,398,169	3,244,492
Add additions during the year	-	-	91,914	-	-	91,914	153,677
End of year	1,516,575	664,821	1,137,603	164,280	6,804	3,490,083	3,398,169
Accumulated amortization							
Beginning of year	220,318	77,210	407,099	31,104	-	735,731	515,362
Add amortization during the year	73,570	22,334	117,551	8,209	-	221,664	220,369
End of year	293,888	99,544	524,650	39,313	-	957,395	735,731
Net book value	1,222,687	565,277	612,953	124,967	6,804	2,532,688	2,662,438