
**RJ and Diane Peterson Great Lakes
Foundation and Keewatin Museum
Annual Financial Statements**

December 31, 2014

Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants

A member of IAPA•BHD Association with affiliated offices across
Canada and internationally

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Financial Information

December 31, 2014

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Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants, Licensed Public Accountants

40 University Avenue
Suite 601
Toronto, Ontario
M5J 1T1

Independent Auditors' Report

Tel : (416) 599-7255
Fax : (416) 599-7268
Email : mds@mdsca.com
Internet : www.mdsca.com

To the Board of Directors of
RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

We have audited the accompanying financial statements of RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and changes in net assets 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 not-for-profit organizations, 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 judgement, 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 financial statements.

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

Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants, Licensed Public Accountants

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and ticket 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 organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

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 RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum as at December 31, 2014, and its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Millard, DesLauriers & Shoemaker LLP

Toronto, Canada
June 29, 2015

Chartered Professional Accountants, Licensed Public Accountants

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Statement of Financial Position

As at December 31

2014

2013

Assets

Current

Cash	\$ 6,322	\$ 4,940
Amounts receivable (Note 5)	21,433	22,774
Inventory	36,840	33,491

64,595 61,205

Restoration costs (Note 6)	96,894	40,709
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\$ 161,489 \$ 101,914

Liabilities

Current

Accounts payable and accrued liabilities (Note 7)	\$ 62,926	\$ 45,400
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Promissory note payable (Note 8)	93,551	38,856
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156,477 84,256

Equity

Unrestricted net assets	5,012	17,658
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\$ 161,489 \$ 101,914

Approved on behalf of the Board:

Director

Director

See accompanying notes to the financial statements.

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Statement of Operations and Changes in Net Assets

For the Year Ended December 31

2014

2013

Revenue		
Ticket sales	\$ 128,757	\$ 154,905
Government subsidies	30,000	-
Store income	29,561	49,099
Donations	24,540	39,641
Special events (Note 9)	8,614	41,554
Marina income	5,166	-
	<u>226,638</u>	<u>285,199</u>
Operating Expenses		
Advertising and promotion	41,439	8,567
Amortization	2,388	3,547
Event purchases	-	4,699
Insurance	839	200
Repairs and maintenance	15,589	102,855
Store expenses	8,522	31,870
Tour operations	11,105	13,000
Volunteer expenses	2,438	5,081
	<u>82,320</u>	<u>169,819</u>
Other Expenses		
Audit, accounting and management fees	138,452	75,746
Interest and bank charges	3,888	3,908
Office expenses	6,381	6,082
Scholarships	-	4,000
Telephone	772	2,469
Travel	1,429	1,412
Utilities	6,042	4,105
	<u>156,964</u>	<u>97,722</u>
Excess of revenue over expenses (expenses over revenue) for the year	(12,646)	17,658
Unrestricted net assets, beginning of the year	17,658	-
Unrestricted net assets, end of the year	<u>\$ 5,012</u>	<u>\$ 17,658</u>

See accompanying notes to the financial statements.

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Statement of Cash Flows

For the Year Ended December 31

2014

2013

Cash flows from (for) operating activities

Excess of revenue over expenses (expenses over revenue)
for the year

\$ (12,646) \$ 17,658

Item not requiring an outlay of cash:

Amortization

2,388 3,547

(10,258) 21,205

Changes in non-cash working capital
balances related to operations:

Amounts receivable

1,341 (22,774)

Inventory

(3,349) (33,491)

Accounts payable and accrued liabilities

17,526 45,400

5,260 10,340

Cash flow for investing activity

Cash outlay for restoration costs

(58,573) (44,256)

Cash flow from financing activity

Promissory note payable

54,695 38,856

Increase in cash for the year

1,382 4,940

Cash, beginning of the year

4,940 -

Cash, end of the year

\$ 6,322 \$ 4,940

See accompanying notes to the financial statements.

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Notes to Financial Statements

December 31, 2014

1. Purpose of the Organization

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum (the "Organization") is a charitable organization, as defined under the Income Tax Act, incorporated in 2013 under the Canada Not-for-profit Corporations Act.

The Organization has entered into a three year lease (May 1, 2013 to June 30, 2016) with Skyline Marine Inc. (the "Lessor") for the use of a 350 foot ship, built in 1907 in Scotland (the "Keewatin"). The Organization has the exclusive use of the premises located in Port McNicoll and the Keewatin.

The Organization will maintain, repair, renovate and improve the Keewatin, as well as operate a tourist destination to educate the public about the history of the Keewatin, transportation on the Great Lakes, and Port McNicoll, Ontario and the surrounding area and marine history.

The total amount of rent payable over the term of the lease is \$1.00. At the end of the lease term, the Organization will have the right to purchase the Keewatin at a price to be determined by an independent qualified appraiser.

2. Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

(b) Cash

Cash consists of bank deposits held with a financial institution. There are no restrictions on cash held by the Organization.

(c) Inventory

Inventory consisting of goods for resale are valued at the lower of cost and net realizable value on an average cost method. Included in the cost of inventory are direct product costs and shipping costs.

Inventory is reviewed for obsolescence annually and written down when management determines that the carrying amount is not recoverable. The total amount of inventory writedowns during the year is \$NIL.

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Notes to Financial Statements

December 31, 2014

2. Significant Accounting Policies (continued)

(d) Restoration Costs

Restoration costs are recorded at cost. Amortization is provided on a basis designed to amortize equipment over their useful lives. The annual amortization rates are as follows:

Comfort station	-	straight-line over 5 years
Ship restoration costs	-	straight-line over 20 years

Long-lived assets are reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its fair value and is not recoverable. The fair amount of an asset is defined as the estimated undiscounted future cash flows expected to result from the use of the asset. Other factors that may indicate impairment are expected future asset utilization and economic outlook.

(e) Revenue Recognition

The Organization follows the deferral method of accounting for contributions which include donations, store income, ticket sales and special event income.

Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from donations is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

(f) Donated Materials and Services

Donations of materials and services, including volunteer services not normally paid for by the Organization are not recorded in the accounts, as it would be difficult to determine their fair value.

(g) Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant estimates made by management include amortization and impairment of restoration costs.

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Notes to Financial Statements

December 31, 2014

3. Financial Risk Management

The significant financial risks to which the Organization is exposed to are credit risk, liquidity risk, market risk, currency risk, interest rate risk, and other price risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss or the other party by failing to discharge an obligation. The Organization is not subject to credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization's exposure to liquidity risk is dependent on its ability to generate revenue through operations, and raising of funds to meet commitments and sustain operations. Cash flow from operations provides a substantial portion of the Organization's cash requirements. Additional cash requirements are met through debt transactions with the Lessor.

(c) Market Risk

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

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Organization is not subject to foreign exchange risk as none of its financial instruments are denominated in foreign currencies.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not subject to interest rate risk.

(iii) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not subject to other price risk.

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Notes to Financial Statements

December 31, 2014

4. Fair Value of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash and amounts receivable. Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

5. Amounts Receivable

Amounts receivable consist of:

	<u>2014</u>	<u>2013</u>
Amounts receivable	\$ 21,433	\$ 22,774
Allowance for doubtful accounts	-	-
	<u>\$ 21,433</u>	<u>\$ 22,774</u>

6. Restoration Costs

Restoration costs are comprised of:

	<u>Cost</u>	<u>2014 Accumulated Amortization</u>	<u>Net Book Value</u>
Comfort station	\$ 5,116	\$ 1,535	\$ 3,581
Ship restoration	97,713	4,400	93,313
	<u>\$ 102,829</u>	<u>\$ 5,935</u>	<u>\$ 96,894</u>

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Notes to Financial Statements

December 31, 2014

6. Restoration Costs (continued)

	<u>Cost</u>	<u>2013</u> Accumulated Amortization	Net Book Value
Comfort station	\$ 5,116	\$ 512	\$ 4,604
Ship restoration	<u>39,140</u>	<u>3,035</u>	<u>36,105</u>
	<u>\$ 44,256</u>	<u>\$ 3,547</u>	<u>\$ 40,709</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	<u>2014</u>	<u>2013</u>
Accounts payable and accrued liabilities	\$ 62,926	\$ 45,400
Government remittances	<u>-</u>	<u>-</u>
	<u>\$ 62,926</u>	<u>\$ 45,400</u>

8. Promissory Note Payable

The promissory note payable to Skyline Marine Inc. is due in full on July 2, 2015. Interest is payable on the unpaid balance at a rate of 1.5% per month, commencing on July 3, 2015.

9. Special Events

Special events income is comprised of:

	<u>2014</u>	<u>2013</u>
Murdock Mysteries	\$ -	\$ 20,100
Golf tournament	-	12,221
Martel's dance	-	6,124
St. Patrick's Day dance	3,252	-
Titanic tickets	5,362	-
Miscellaneous	<u>-</u>	<u>3,109</u>
	<u>\$ 8,614</u>	<u>\$ 41,554</u>

RJ and Diane Peterson Great Lakes Foundation and Keewatin Museum

Notes to Financial Statements

December 31, 2014

10. Capital Disclosures

The Organization considers its capital to be the balance maintained in its Unrestricted Net Assets, which is made up of contributed equity and the operating fund surplus.

As at December 31, 2014, total managed capital was \$5,012 (2013 - \$17,658). The primary objective of the Organization is to invest its Capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the Organization with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

The Organization is not subject to any externally imposed capital requirements of debt covenants, and does not presently use any quantitative measures to monitor its capital.