

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Financial Statements**

**Year Ended December 31, 2014**

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Index to Financial Statements**

**Year Ended December 31, 2014**

---

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
General Fund Statement of Cash Flows	6
Notes to Financial Statements	7 - 14
Schedule of New Ship Fund Capitalized Expenses ( <i>Schedule 1</i> )	15

---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of S.A.L.T.S. Sail and Life Training Society

We have audited the accompanying financial statements of S.A.L.T.S. Sail and Life Training Society, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in fund balances 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 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 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

In common with many not-for-profit organizations, S.A.L.T.S. Sail and Life Training Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of S.A.L.T.S. Sail and Life Training Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2014, current assets and net assets as at December 31, 2014.

### Qualified Opinion

---

**VICTORIA**  
901-747 Fort St.  
Victoria, BC V8W 3E9  
Tel: 250.383.8994 | Fax: 250.383.8904

**DUNCAN**  
823 Canada Ave.  
Duncan, BC V9L 1V2  
Tel: 250.746.4406 | Fax: 250.746.1950

**NANAIMO**  
30 Front St.  
Nanaimo, BC V9R 5H7  
Tel: 250.753.2544 | Fax: 250.754.1903

Independent Auditor's Report to the Members of S.A.L.T.S. Sail and Life Training Society *(continued)*

In our opinion, except for the possible 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 S.A.L.T.S. Sail and Life Training Society as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Victoria, BC  
February 20, 2015

Hayes Stewart Little + Co

CHARTERED ACCOUNTANTS



# S.A.L.T.S. Sail and Life Training Society

## Statement of Financial Position

December 31

	General Fund	Endowment Fund	New Ship Fund	Total 2014	Total 2013
<b>Assets</b>					
<b>Current</b>					
Cash and cash equivalents (Note 4)	\$ 301,755	\$ -	\$ 1,132,355	\$ 1,434,110	\$ 1,190,161
Short-term investments (Note 5)	394,562	65,417	483,274	943,253	933,408
Accounts receivable	10,687	-	25,000	35,687	21,402
Inventory	566,006	-	-	566,006	694,966
Prepaid expenses	31,696	-	-	31,696	42,276
Due from other funds	21,077	-	-	21,077	14,260
	<b>1,325,783</b>	<b>65,417</b>	<b>1,640,629</b>	<b>3,031,829</b>	<b>2,896,473</b>
Deposits (Note 6)	64,709	-	-	64,709	64,559
Plant and equipment (Note 7)	2,629,218	-	272,582	2,901,800	2,965,575
	<b>\$ 4,019,710</b>	<b>\$ 65,417</b>	<b>\$ 1,913,211</b>	<b>\$ 5,998,338</b>	<b>\$ 5,926,607</b>
<b>Liabilities and Fund Balances</b>					
<b>Current</b>					
Accounts payable and accrued charges	\$ 42,205	\$ -	\$ -	\$ 42,205	\$ 45,169
Employee deductions	11,876	-	-	11,876	19,244
GST/PST payable	444	-	-	444	2,740
Deferred revenue (Note 9)	452,494	-	-	452,494	400,454
Due to other funds	-	2,887	18,190	21,077	14,260
	<b>507,019</b>	<b>2,887</b>	<b>18,190</b>	<b>528,096</b>	<b>481,867</b>
Loan payable (Note 10)	5,000	-	-	5,000	5,000
Deferred contributions (Note 13)	165,455	-	-	165,455	112,289
	<b>677,474</b>	<b>2,887</b>	<b>18,190</b>	<b>698,551</b>	<b>599,156</b>
<b>Fund balances</b>					
Invested in plant and equipment	2,629,218	-	272,582	2,901,800	2,965,575
Externally restricted	-	62,530	1,622,439	1,684,969	1,658,542
Unrestricted	713,018	-	-	713,018	703,334
	<b>3,342,236</b>	<b>62,530</b>	<b>1,895,021</b>	<b>5,299,787</b>	<b>5,327,451</b>
	<b>\$ 4,019,710</b>	<b>\$ 65,417</b>	<b>\$ 1,913,211</b>	<b>\$ 5,998,338</b>	<b>\$ 5,926,607</b>

**Commitments (Note 14)**

On behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## S.A.L.T.S. Sail and Life Training Society Statement of Operations

For the year ended December 31

	General Fund 2014	Endowment Fund 2014	New Ship Fund 2014	Total 2014	Total 2013 (Note 15)
<b>Revenue</b>					
Boat donations (Note 12)	\$ 543,700	\$ -	\$ -	\$ 543,700	\$ 485,720
Donations	298,867	-	66,542	365,409	249,863
Investment income	2,757	3,183	19,648	25,588	24,983
Memberships	4,627	-	-	4,627	8,242
Merchandise sales	49,065	-	-	49,065	41,032
Miscellaneous	3,999	-	-	3,999	3,381
Program fees	1,271,633	-	-	1,271,633	1,174,229
	<b>2,174,648</b>	<b>3,183</b>	<b>86,190</b>	<b>2,264,021</b>	<b>1,987,450</b>
<b>Expenses</b>					
Advertising	35,387	-	734	36,121	38,340
Amortization	87,221	-	-	87,221	87,693
Bad debts	-	-	-	-	6,508
Bank charges and interest	23,681	-	72	23,753	21,998
Boat inventory write-down (Note 12)	32,800	-	-	32,800	70,800
Cost of boat sales (Note 12)	125,364	-	-	125,364	68,300
Cost of merchandise sales	28,987	-	-	28,987	21,802
Food and provisions	97,453	-	-	97,453	95,359
Fuel and oil	41,454	-	-	41,454	37,213
Insurance	101,955	-	-	101,955	85,371
Miscellaneous	4,625	-	-	4,625	5,905
Moorage	38,908	-	-	38,908	45,844
Office	63,002	-	3,291	66,293	53,369
Professional fees	32,056	-	14,050	46,106	40,051
Rent	158,474	-	-	158,474	166,457
Repairs and maintenance	360,031	-	-	360,031	246,779
Scholarships	67,023	-	-	67,023	63,980
Telephone	17,096	-	729	17,825	21,275
Travel	2,100	-	6,302	8,402	3,959
Training	30,289	-	-	30,289	3,657
Wages and employee benefits	883,754	-	34,585	918,339	836,111
	<b>2,231,660</b>	<b>-</b>	<b>59,763</b>	<b>2,291,423</b>	<b>2,020,771</b>
<b>(Deficiency) excess of operating revenue over expenses</b>	<b>\$ (57,012)</b>	<b>\$ 3,183</b>	<b>\$ 26,427</b>	<b>\$ (27,402)</b>	<b>\$ (33,321)</b>
<b>Other income / expenses:</b>					
Loss on disposal of boat inventory (Note 11)	-	-	-	-	(502,519)
Write down of other inventory (Note 12)	(262)	-	-	(262)	(2,531)
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (57,274)</b>	<b>\$ 3,183</b>	<b>\$ 26,427</b>	<b>\$ (27,664)</b>	<b>\$ (538,371)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**S.A.L.T.S. Sail and Life Training Society  
Statement of Changes in Fund Balances**

**For the year ended December 31**

	Invested in Plant and Equipment	General	Total	Total	Endowment Fund		New Ship Fund	
			2014	2013	2014	2013	2014	2013
<b>Fund balances, beginning of year</b>	\$ 2,692,993	\$ 703,334	\$ 3,396,327	\$ 3,433,120	\$ 62,530	\$ 62,530	\$ 1,868,594	\$ 2,370,172
<b>Excess (deficiency) of revenue over expenses</b>	(87,221)	29,947	(57,274)	(37,827)	3,183	1,034	26,427	(501,578)
<b>Transfer to General Fund</b>	-	3,183	3,183	793	(3,183)	(793)	-	-
<b>Transfer to Invested in Plant and Equipment</b>	23,446	(23,446)	-	-	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 2,629,218</b>	<b>\$ 713,018</b>	<b>\$ 3,342,236</b>	<b>\$ 3,396,086</b>	<b>\$ 62,530</b>	<b>\$ 62,771</b>	<b>\$ 1,895,021</b>	<b>\$ 1,868,594</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## S.A.L.T.S. Sail and Life Training Society General Fund Statement of Cash Flows

For the year ended December 31

2014

2013

### Increase (decrease) in cash from

#### Operating activities

Deficiency of revenue over expenses	\$ (57,274)	\$ (37,827)
Items not involving cash		
Amortization	87,221	87,693
Unrealized (gain)/loss on investments	486	1,184
Boat and in kind donations	(647,813)	(498,682)
Cost of boat sales	125,364	63,500
Inventory write-down	33,062	73,331
Loss on disposal of assets	-	-
Bad debts	-	6,508

(458,954)      (304,293)

#### Changes in non-cash working capital balances, net

Accounts receivable	10,715	(16,844)
Inventory	(7,401)	1,986
Prepaid expenses and deposits	1,201	(11,669)
Accounts payable and accrued liabilities	(4,963)	(3,894)
Employee deductions	(7,368)	4,737
GST/PST payable	(2,296)	19,843
Deferred revenue	52,039	(8,588)
Deferred contributions	53,166	68,117
Due (to)/from other funds	(52,755)	26,994
Sale of boats	525,636	192,589

#### Net cash increase (decrease) from operating activities

109,020      (31,022)

#### Investing activities

Funds transfer	3,183	1,034
Purchase of plant and equipment	(12,446)	(22,103)
Proceeds on sale of plant and equipment	-	-
Redemption/(purchase) of short-term investments	106,545	19,867

#### Net cash increase (decrease) from investing activities

97,282      (1,202)

#### Increase (Decrease) in cash during the year

206,302      (32,224)

#### Cash and cash equivalents, beginning of year

95,453      127,677

#### Cash and cash equivalents, end of year

\$ 301,755      \$ 95,453

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY

## Notes to Financial Statements

Year Ended December 31, 2014

---

### 1. PURPOSE OF THE SOCIETY

S.A.L.T.S. Sail and Life Training Society (the "Society") is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income tax Act. The Society's principal purpose is to develop the spiritual, relational, and physical potential of young people through sail training, shipboard life, and associated activities in a Christian environment.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

#### Fund accounting

The Society follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Society's program delivery, plant and equipment, and administrative activities. This fund reports unrestricted resources, and restricted and unrestricted donations.

The New Ship Fund reports the revenue, expenses, assets and liabilities related to the construction of a new sail training vessel.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is transferred to the General Fund and is used to fund scholarships.

#### Revenue recognition

Revenue is recognized after services/programs have been provided when the amount of revenue can be determined, and has been received or collectability is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for the New Ship Fund are recognized as revenue in the New Ship Fund when the amount of revenue can be determined, and has been received or collectability is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund when the amount of revenue can be determined, and has been received or collectability is reasonably assured.

*(continues)*

S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY

Notes to Financial Statements

Year Ended December 31, 2014

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventory

Inventory of donated boats is determined using specific identification and recorded at appraised values and adjusted annually to net realizable value where necessary.

The cost of inventory for merchandise is determined on a weighted average basis.

All other inventory is measured at the lower of average cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

Plant and equipment

Plant and equipment is stated at cost or deemed cost less accumulated amortization. Plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Vessels	2.5%
Tools and machinery	10%
Office furniture and equipment	15%
Vehicles	15%
Equipment	20%
Computer equipment	55%
Charts and publications	20%

Leashold improvements are amortized on a straight line basis over the term of the lease which includes any terms of renewal at management's discretion.

The Society regularly reviews its plant and equipment to eliminate obsolete items.

Plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed materials and services

Donated equipment is recorded at fair value when received, if the equipment would have normally been purchased by the Society.

The Society is dependent on the voluntary service of many members and others. Since these services are not normally purchased by the Society, and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Capitalized costs

Capitalized costs include development costs, administrative and general expenses incurred in connection with the development and construction of a tall ship. These costs are detailed in Schedule 1.

*(continues)*

# S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY

## Notes to Financial Statements

Year Ended December 31, 2014

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Measurement uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates include collectability of receivables, valuation of boat inventory, accrual of liabilities and useful life of plant and equipment.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

#### Statement of cash flows

A statement of cash flows has not been presented for the Endowment Fund and New Ship Fund because it would not provide any additional meaningful information that is not readily determinable from information presented in the other financial statements.

### 3. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The Society's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued charges and loans payable. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2014.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of donations, proceeds from boat sales and other related sources, and accounts payable.

*(continues)*

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

---

**3. FINANCIAL INSTRUMENTS (continued)**

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 Society is exposed to other price risk through its investment in quoted shares and its boat inventory which are both susceptible to fluctuating fair market values beyond the control of the Society.

The Society is not exposed to significant foreign exchange, credit or interest rate risk. The Society regularly reviews the collectability of receivables, and feels that it has made adequate provisions to protect itself against credit risk.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the General Fund consists of balances held in segregated money market high interest savings accounts and current accounts.

Cash and cash equivalents in the New Ship Fund consists of balances held in segregated money market high interest savings accounts and current accounts.

**5. SHORT-TERM INVESTMENTS AND ENDOWMENT FUNDS**

Short-term investments in the General Fund consist of:

- a) equity and fixed income investments in addition to cash with a market value of \$394,562 (2013 - \$389,589) and a book value of \$390,000 (2013 - \$385,933).

The Society has established Endowment Funds that consist of the following short-term investments:

- b) the Endowment investment known as "The Martyn J. Clark Seafarer Award Fund" consists of a guaranteed investment certificate in the amount of \$20,000 (2013 - \$20,000) which matures December 16, 2015, and earns annual interest at 3.2%.
- c) the Endowment investment known as "The Robyn Sheppard Memorial Bursary" consists of an investment in a money market fund with a market and book value of \$45,417 (2013 - \$46,004).

The purpose of these funds is to hold investments. The income from these investments will be used in the General Fund to pay for annual bursaries for those applicants who wouldn't otherwise be able to participate in a voyage.

Short-term investments in the New Ship Fund consist of a segregated money market high interest savings account with a market and book value of \$483,274 (2013 - \$477,815).

**6. DEPOSITS**

Deposits relating to leased premises consist of \$20,000 (2013 - \$20,000), held in trust for the Society, but available to the landlord in the event the Society defaults on its lease. The remaining balance of deposits \$44,709 (2013 - \$44,559) are prepayments of rents to be applied at the end of the term of the leases.



**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

**7. PLANT AND EQUIPMENT**

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Vessel - Pacific Grace	\$ 2,598,416	\$ 745,322	\$ 1,853,094	\$ 1,900,609
Vessel - Pacific Swift	1,075,701	507,827	567,874	582,435
New Ship Fund	272,582	-	272,582	272,582
Tools and machinery	152,040	105,374	46,666	40,240
Leasehold improvements	125,127	27,275	97,852	103,993
Office furniture and equipment	98,987	83,769	15,218	16,308
Vehicles	50,016	28,044	21,972	25,850
Vessel - Runabouts/Dories	31,525	15,857	15,668	16,070
Equipment	7,138	1,999	5,139	6,424
Computer equipment	10,144	5,486	4,658	224
Charts and publications	4,936	3,859	1,077	840
	<u>\$ 4,426,612</u>	<u>\$ 1,524,812</u>	<u>\$ 2,901,800</u>	<u>\$ 2,965,575</u>

The asset listed above as New Ship Fund consist of capitalized costs incurred for the construction of a new vessel and are not being amortized until the date the new vessel becomes available for use. There were no additions to assets under construction for the year (2013 - \$60,964). Details of the 2013 fiscal year additions are provided on Schedule 1.

**8. BANK INDEBTEDNESS**

The Society has an operating line of credit facility to a maximum of \$43,000 with HSBC Bank of Canada. Interest at bank prime plus 1.25% is payable monthly. The principal is payable on demand. The line of credit is secured by a General Security Agreement with a first fixed charge of a marine mortgage in the amount of \$43,000 over the Pacific Swift. At December 31, 2014, the available credit was \$43,000 and the amount outstanding was \$nil (2013 - \$nil).

**9. DEFERRED REVENUE**

Deferred revenue is made up of program deposits and membership fees of \$452,494 (2013 - \$400,454) received in 2014 for the 2015 season.

**10. LOAN PAYABLE**

Payable to a benefactor, non-interest bearing with no fixed terms of repayment.

	2014	2013
	<u>\$ 5,000</u>	<u>\$ 5,000</u>

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

---

**11. LOSS ON DISPOSAL OF BOAT INVENTORY**

During the 2013 fiscal year the boat held in inventory of the New Ship Fund suffered significant water damage. The result was that the Society received an insurance settlement and sold the boat for proceeds that were significantly less than the boat's book value. The loss on the disposal of the boat inventory was determined as follows:

	<u>2013</u>
Proceeds on sale	\$ 171,017
Insurance proceeds received in the year	442,565
Less: Selling costs and insurance deductible	<u>(167,101)</u>
Net proceeds	446,481
Less: book value of inventory sold	<u>(949,000)</u>
Loss on disposal of boat inventory	<u>\$ (502,519)</u>

**12. WRITE-DOWN OF INVENTORY**

Accounting standards for Not for Profit Organizations require the recording of contributions at their fair market value when an item is donated, and further require write downs when it is determined that there is an impairment in the net realizable value of inventory. These donations and write downs are non-cash revenues and expenses related to the boat donation program. "Boat donations" records the fair market value of donated boats when donated, and does not represent cash receipts. "Cost of boat sales" records the write-downs in the donated value of boat inventory at the time a boat is sold if it is sold for less than its donated value, and "Boat inventory write-down" records write-downs in the value of donated boat inventory that is still on hand at year end. Since these items do not involve cash they do not affect the cash position of the Society. The changes in cash and cash equivalents are described in the Statement of Cash Flows. Cash flow is affected by the sale of donated boats less the cash expenses of operating that fundraising program rather than the in kind donation of boats. In the current year the Society received cash of \$525,636 (2013 - \$192,589) from sales of in-kind boat donations.

In the current year, four donated boats (2013 - eleven) were written down at year end to net realizable value. Merchandise with a cost of \$262 (2013 - \$2,531) has been written off as the items have been determined to no longer have any economic value to the Society.

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

**13. DEFERRED CONTRIBUTIONS**

Deferred safety enhancement contributions represent contributions restricted for the purpose of purchasing immersion suits and inflatable life jackets and to meet food safety requirements on the "Pacific Swift" vessel. The changes in the deferred safety enhancement contributions balance are as follows:

	<u>2014</u>	<u>2013</u>
<b>Safety Enhancement Contributions</b>		
Balance, beginning of year	\$ 20,000	\$ -
Add: Contributions received in the year	22,800	20,000
Less: Amounts recognized as revenue in the year	<u>(40,000)</u>	<u>-</u>
Balance, end of the year	<u>2,800</u>	<u>20,000</u>

The deferred engineering fees contribution represents a contribution restricted for the purpose of engineering related to the planned refit of the "Pacific Grace" vessel. The changes in the deferred safety enhancement contributions balance are as follows:

	<u>2014</u>	<u>2013</u>
<b>Engineering Fees Contribution</b>		
Balance, beginning of year	\$ NIL	\$ NIL
Add: Contributions received in the year	<u>31,200</u>	<u>-</u>
Balance, end of the year	<u>\$ 31,200</u>	<u>\$ NIL</u>

Deferred bursary contributions represent contributions restricted for the purpose of awarding bursaries to groups who may not otherwise be able to participate on sailing trips. The changes in the deferred bursary contribution balances are as follows:

	<u>2014</u>	<u>2013</u>
<b>Bursary Contributions</b>		
Balance, beginning of year	\$ 53,844	\$ -
Add: Contributions for bursaries received in the year	100,000	117,824
Add: deposits deferred	4,596	-
Less: Amounts recognized as revenue in the year	<u>(61,123)</u>	<u>(63,980)</u>
Balance, end of year	<u>97,317</u>	<u>53,844</u>

Deferred diabetes bursary contributions represent contributions restricted for the purpose of awarding bursaries to individuals with Type 1 diabetes who may not otherwise be able to participate on sailing trips. The changes in the deferred diabetes bursary contribution balances are as follows:

	<u>2014</u>	<u>2013</u>
<b>Diabetes Bursary Contributions</b>		
Balance, beginning of year	38,445	44,172
Add: Interest earned in the year	1,593	1,230
Less: Amounts recognized as revenue in the year	<u>(5,900)</u>	<u>(6,957)</u>

*(continues)*

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

**13. DEFERRED CONTRIBUTIONS (continued)**

Balance, end of year	<u>34,138</u>	38,445
Grand total deferred contributions	<u>\$ 165,455</u>	<u>\$ 112,289</u>

**14. LEASE COMMITMENTS**

The Society leases premises at 451 Herald Street and a water lease at 450 Swift Street under a lease that expires on September 30, 2017. Under the lease, the Society is required to pay a base rent of \$8,750 per month to September 30, 2015 and then \$9,500 per month for the remainder of the term.

Future base rent payments as at year end are as follows:

2015	\$ 107,250
2016	114,000
2017	<u>85,500</u>
	<u>\$ 306,750</u>

The Society leases premises at 539 David Street under a lease expiring September 30, 2017. The lease requires base rent of \$2,768 per month in addition to a monthly triple net payment (currently \$1,241).

Future base rent payments required are as follows:

2015	\$ 33,210
2016	33,210
2017	<u>24,908</u>
	<u>\$ 91,328</u>

The Society leases its photocopier/printer/fax machine. The terms of the lease require quarterly payments of \$400 plus taxes to February 28, 2019.

Future net lease payments required are as follows:

2015	\$ 1,600
2016	1,600
2017	1,600
2018	1,600
2019	<u>400</u>
	<u>\$ 6,800</u>

**15. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**S.A.L.T.S. SAIL AND LIFE TRAINING SOCIETY**  
**Schedule of New Ship Fund Capitalized Expenses**  
**Year Ended December 31, 2014**

*(Schedule 1)*

	2014	2013
<b>Capitalized expenses</b>		
Contract expenses	\$ -	\$ 24,009
Model	-	36,955
	<u>\$ -</u>	<u>\$ 60,964</u>