

**WindReach**

**Financial Statements and  
Independent Auditors' Report**

**June 30, 2011**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
WindReach

We have audited the accompanying financial statements of WindReach, (the "Company"), which comprise the balance sheet as at June 30, 2011, and the statement of operations and statement of changes in members' equity 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 accounting principles generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 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.

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### **Basis for Qualified Opinion**

In common with many charitable organizations, the Company derives revenues from donations, 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 Company and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and net assets.

### **Qualified Opinion**

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

**Deloitte + Touche Ltd.**

January 17, 2012

**WINDREACH**  
**BALANCE SHEET**  
as at June 30, 2011  
*(expressed in Bermuda Dollars)*

	2011	2010
<b>CURRENT ASSETS</b>		
Cash	\$ 361,177	\$ 433,206
Investments, held for trading (Note 3)	1,010	954
Accounts receivable	-	5,008
Prepaid expenses	10,749	5,988
	372,936	445,156
<b>CAPITAL ASSETS (Note 4 and 7)</b>		
PONIES (Note 5)	43,995	43,174
	2,597	3,417
	\$ 419,528	\$ 491,747
<b>LIABILITIES</b>		
Accounts payable	\$ 21,323	\$ 37,599
Payable to the WindReach Bermuda Trust (Note 7)	10,000	10,000
Deferred revenue	78,335	106,963
Deferred contributions (Note 6 and 7)	153,663	189,661
	263,321	344,223
<b>MEMBERS' EQUITY</b>		
Contributed surplus	128,092	128,092
Surplus	28,115	19,432
	156,207	147,524
	\$ 419,528	\$ 491,747

*See accompanying notes to the financial statements*

APPROVED BY THE BOARD:



.....Director



.....Director

**WINDREACH**  
**STATEMENT OF OPERATIONS**  
for the year ended June 30, 2011  
*(expressed in Bermuda Dollars)*

	One year period to June 30, 2011	Period from November 26, 2008 (Date of incorporation) to June 30, 2010
<b>REVENUES</b>		
Donations (Note 6 and 7)	\$ 787,178	\$ 722,816
Program revenue	75,327	44,369
Rental income	65,200	51,665
Activities and events	52,172	98,417
Other income	683	1,150
	980,560	918,417
<b>EXPENDITURES</b>		
Salaries and benefits	564,717	501,948
Facility and program supplies	180,145	116,106
Repairs and maintenance	52,703	72,160
Activities and events	40,437	85,050
Professional fees (Note 8)	31,813	27,810
Amortization	23,739	17,220
Utilities	17,893	14,615
Insurance	17,798	15,362
Administrative	14,065	14,418
Telephone	10,225	7,774
Computer	10,098	11,871
Promotion	5,563	9,939
Staff development	2,681	4,712
	971,877	898,985
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 8,683</b>	<b>\$ 19,432</b>

*See accompanying notes to the financial statements*

**WINDREACH**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
for the year ended June 30, 2011  
*(expressed in Bermuda Dollars)*

	One year period to June 30, 2011	Period from November 26, 2008 (Date of incorporation) to June 30, 2010
Contributed surplus, beginning of period	\$ 128,092	\$ -
Net assets contributed by the WRV	-	103,669
Amount due to WRV forgiven by WRV	-	20,323
Net assets contributed by BRD	-	4,100
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Contributed surplus, end of period	128,092	128,092
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Surplus, beginning of period	19,432	-
Excess of revenue over expenditures for the period	8,683	19,432
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Surplus, end of period	28,115	19,432
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Balance, end of period	\$ 156,207	\$ 147,524
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*See accompanying notes to the financial statements*

**WINDREACH**  
**STATEMENT OF CASH FLOWS**  
for the year ended June 30, 2011  
*(expressed in Bermuda Dollars)*

	One year period to June 30, 2011	Period from November 26, 2008 (Date of incorporation) to June 30, 2010
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 8,683	\$ 19,432
Item not affecting cash:		
Amortization of capital assets	23,739	17,220
Gain on sale of investments	-	(15,281)
Unrealized (gain)/loss on investments	(56)	43
Donation of capital asset	(21,645)	-
Changes in assets and liabilities:		
Accounts receivable	5,008	(4,692)
Prepaid expenses	(4,761)	1,050
Accounts payable	(16,276)	44,510
Payable to the WindReach Bermuda Trust	-	10,102
Deferred revenue	(28,628)	106,963
Deferred contributions	(35,998)	(97,261)
Net cash (used in)/provided by operating activities	(69,934)	82,086
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,095)	(11,733)
Proceeds on sale of investments	-	91,705
Net cash (used in)/provided by investing activities	(2,095)	79,972
<b>FINANCING ACTIVITIES</b>		
Cash received on amalgamation with BRD	-	183,388
Cash contributed by WRV	-	87,760
Net cash provided by financing activities	-	271,148
NET (DECREASE)/INCREASE IN CASH	(72,029)	433,206
CASH, BEGINNING OF PERIOD	433,206	-
CASH, END OF PERIOD	\$ 361,177	\$ 433,206

*See accompanying notes to the financial statements*

**WINDREACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011  
*(expressed in Bermuda Dollars)*

1. ORGANIZATION

WindReach (the "Company") was incorporated under the Companies Act, 1981 on November 26, 2008. On February 3, 2009, the Company received notification from the Minister of Finance that they were registered under the Act as a company limited by guarantee. The Company commenced operations on September 1, 2009 as discussed below.

The Company's purpose is to operate an inclusive and accessible community facility to enrich the quality of life for people of all abilities, ages, and special needs.

On September 1, 2009, the Company amalgamated with Bermuda Riding for the Disabled (the "BRD") and assumed all of the assets, liabilities, and net assets of BRD. On September 1, 2009, The WindReach Recreational Village Ltd. (the "WRV") transferred certain net assets to the Company. From this date, the Company commenced operations, running the programs of the former BRD and WRV.

Upon amalgamation, the Company assumed the charitable certificate of BRD. The change of name of the certificate from Bermuda Riding for the Disabled to WindReach was registered on October 14, 2009.

Bermuda Riding for the Disabled amalgamation

Following the amalgamation with BRD, the Company assumed ownership of BRD's ponies which had a carrying value of \$4,100 as of September 1, 2009. These are included in contributed surplus. The other assets and liabilities of BRD consisted of the following, which were recorded by the Company at fair value, on the date of amalgamation.

Cash	\$ 183,388
Investments	77,421
Accounts payable	(10,257)
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	\$ 250,552
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The gross cash and investments amount contributed on amalgamation with BRD are restricted for future use in the riding program and are included in deferred contributions while the ponies were added to the contributed surplus.

The WindReach Recreational Village Ltd. contributions

The following assets and liabilities were contributed by WRV. As the Company shares many members of its Board of Directors with the members of the Board of Directors of WRV, WRV is considered a related party to the Company. Therefore the assets and liabilities of WRV were transferred to the Company at carrying value.



**WINDREACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011  
*(expressed in Bermuda Dollars)*

1. ORGANIZATION (cont'd)

Cash	\$	87,760
Accounts receivable		316
Receivable from WindReach Bermuda Trust		102
Prepaid expense		7,038
Capital assets		47,978
Accounts payable		(3,155)
Deferred contributions		(36,370)
		\$ 103,669
		\$ 103,669

The Company received various donations and paid certain expenses on behalf of WRV. The net amount payable to WRV resulting from these transactions was \$20,323. This amount was forgiven by WRV and is included in contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Company follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated services and assets

The Company records the value of donated services and assets at fair value when the fair value can be reasonably estimated, and the services are normally purchased and would be paid for if not donated.

Volunteers contribute many hours to assist the Company in carrying out its service delivery activities. Because of the difficulty in determining their fair value, these services are not recognized in the financial statements.

**WINDREACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011  
*(expressed in Bermuda Dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets and ponies

Purchased capital assets and ponies are stated at cost. Donated capital assets are recorded at fair value at the date of the donation. Amortization is provided on a straight-line basis over the assets' estimated useful lives.

Computer equipment	3 years
Vehicle	3 years
Furniture and equipment	5 years
Property	5 years
Ponies	5 years

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash	Held for trading
Investments	Held for trading
Accounts receivable	Receivables
Accounts payable	Other liabilities
Payables to the WindReach Bermuda Trust	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in the statement of operations.

Receivables

Receivables are accounted for at amortized cost using the effective interest method (for short term receivables, amortized cost using the effective interest method approximates cost). The fair value of receivable approximates their carrying value due to their short term maturity.

**WINDREACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011  
*(expressed in Bermuda Dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other liabilities

Accounts payable are recorded at amortized cost using the effective interest method and include all financial liabilities (for short term accounts payable amortized cost using the effective interest method approximates cost). The fair value of accounts payable and payables to the WindReach Bermuda Trust approximates their carrying values due to their short term maturity.

New accounting framework

The Canadian Institute of Chartered Accountants (the "CICA") has issued a new accounting framework applicable to not-for-profit organizations. These new standards are effective on January 1, 2012 for organizations with a fiscal year commencing on or after this date. The Company will have to adopt these standards for the fiscal year ended June 30, 2013, however, the impact of this transition has not yet been determined.

3. INVESTMENTS

	Cost 2011	Fair value 2011	Cost 2010	Fair value 2010
Marketable securities, held for trading	\$ 997	\$ 1,010	\$ 997	\$ 954

4. CAPITAL ASSETS

	Cost 2011	Accumulated amortization 2011	Net Book Value	
			2011	2010
Computer equipment	\$ 27,366	\$ 23,309	\$ 4,057	\$ 14,814
Furniture and equipment	25,575	11,581	13,994	21,024
Vehicle	21,645	1,203	20,442	-
Property	8,864	3,362	5,502	7,336
Total	\$ 83,450	\$ 39,455	\$ 43,995	\$ 43,174

5. PONIES

	Cost 2011	Accumulated amortization 2011	Net Book Value	
			2011	2010
Ponies	\$ 4,100	\$ 1,503	\$ 2,597	\$ 3,417

**WINDREACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011  
*(expressed in Bermuda Dollars)*

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent amounts received in the current period for which related expenses will be incurred in a subsequent period. Changes in the deferred contributions balance are as follows:

	Balance June 30, 2010	Contributions received during the period	Recognized as donation revenue during the period	Balance June 30, 2011
Riding Program	\$ 189,411	\$ 120,915	\$ 177,355	\$ 132,971
Adaptive Sports	-	49,281	49,281	-
Sensory Room	250	-	-	250
Vehicle	-	21,645	1,203	20,442
	<u>\$ 189,661</u>	<u>\$ 191,841</u>	<u>\$ 227,839</u>	<u>\$ 153,663</u>

7. RELATED PARTY TRANSACTIONS

Donations revenue includes amounts totaling \$80,004 (2010: \$85,019) which were received from WindReach International (“WRI”). Of this amount, \$80,004 (2010: \$72,000) was donated in connection with a commitment to the long-term viability and future of the Company. During 2011, \$Nil (2010: \$13,019) was received from WRI to partially fund the costs of a Development Director. WRI and the Company are related by way of two common directors.

At June 30, 2011, the Company owed \$10,000 (2010: \$10,000) to the WindReach Bermuda Trust, a company related by way of two common directors.

During the year ended June 30, 2011, a director made a donation of a vehicle to the Company. The fair value of the vehicle at the time of the donation was \$21,645. The vehicle was recorded as an addition to capital assets and deferred contributions and is being amortized into donations revenue at a rate corresponding with the amortization rate for the vehicle.

8. DONATED SERVICES

Audit fees are recorded at their fair value of \$15,000 (2010: \$13,500). The actual amount charged for the audit is \$Nil with the difference of \$15,000 (2010: \$13,500) being recorded in donations revenue.

**WINDREACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011  
*(expressed in Bermuda Dollars)*

9. COMMITMENTS

WRI has pledged to provide ongoing financial support to the operations of the Company with a monthly donation to support operating expenses set at US\$6,667 per month until December 2015.

10. CAPITAL DISCLOSURES

The Company's capital objective is to ensure effective resources are available to support its operational activities. The Company maintains its capital mainly in the form of cash and cash equivalents. The Company is not subject to any externally imposed capital requirements.

11. LEASE

The Company has entered into a lease with WindReach Bermuda Trust dated August 26, 2009 for land situated in Warwick for a term of twenty years. The annual lease payment consists of one dollar and one horseshoe.