

WindReach

**Financial Statements and
Independent Auditors' Report**

June 30, 2012

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, 2012, 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.

Auditors' 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.

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, 2012, 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.

December 16, 2012

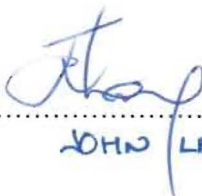
WINDREACH
BALANCE SHEET
as at June 30, 2012
(expressed in Bermuda Dollars)

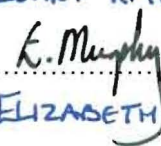
	2012	2011
CURRENT ASSETS		
Cash	\$ 497,299	\$ 361,177
Investments, held for trading (Note 3)	1,105	1,010
Accounts receivable	9,100	-
Prepaid expenses	5,725	10,749
	513,229	372,936
CAPITAL ASSETS (Notes 4 and 7)		
PONIES (Note 5)	24,981	43,995
	1,777	2,597
	\$ 539,987	\$ 419,528
LIABILITIES		
Accounts payable	\$ 19,486	\$ 21,323
Payable to the WindReach Bermuda Trust (Note 7)	-	10,000
Deferred revenue	81,164	78,335
Deferred contributions (Notes 6 and 7)	200,940	153,663
	301,590	263,321
MEMBERS' EQUITY		
Contributed surplus	128,092	128,092
Surplus	110,305	28,115
	238,397	156,207
	\$ 539,987	\$ 419,528

See accompanying notes to the financial statements

APPROVED BY THE BOARD:


.....Director
STEWART RITCHIE


.....Director
JOHN LAWS


.....Treasurer
ELIZABETH MURPHY

WINDREACH
STATEMENT OF OPERATIONS
for the year ended June 30, 2012
(expressed in Bermuda Dollars)

	2012	2011 (Note 12)
REVENUES		
Donations (Notes 6, 7 and 8)	\$ 705,675	\$ 730,378
Activities and events	118,537	109,292
Program revenue (Note 6)	116,404	63,532
Rental income	78,658	76,675
Other income	509	683
	1,019,783	980,560
EXPENDITURES		
Salaries and benefits	586,688	564,717
Facility and program supplies	150,154	183,084
Repairs and maintenance	49,465	52,703
Activities and events	37,386	37,498
Amortization of capital assets and ponies	19,834	23,739
Utilities	19,205	17,893
Insurance	17,798	17,798
Professional fees (Note 8)	16,550	31,813
Administrative	12,655	14,065
Telephone	8,162	10,225
Computer	7,380	10,098
Staff development	6,651	2,681
Promotion	5,665	5,563
	937,593	971,877
EXCESS OF REVENUES OVER EXPENDITURES	\$ 82,190	\$ 8,683

See accompanying notes to the financial statements

WINDREACH
STATEMENT OF CHANGES IN MEMBERS' EQUITY
for the year ended June 30, 2012
(expressed in Bermuda Dollars)

	2012	2011
Contributed surplus, beginning of year	\$ 128,092	\$ 128,092
	<u>28,115</u>	<u>19,432</u>
Surplus, beginning of year	28,115	19,432
Excess of revenue over expenditures for the year	82,190	8,683
	<u>110,305</u>	<u>28,115</u>
Surplus, end of year	110,305	28,115
	<u>\$ 238,397</u>	<u>\$ 156,207</u>
Balance, end of year	\$ 238,397	\$ 156,207

See accompanying notes to the financial statements

WINDREACH
STATEMENT OF CASH FLOWS
for the year ended June 30, 2012
(expressed in Bermuda Dollars)

	2012	2011
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 82,190	\$ 8,683
Item not affecting cash:		
Amortization of capital assets and ponies	19,834	23,739
Unrealized gain on investments	(95)	(56)
Donation of capital asset	-	(21,645)
Changes in assets and liabilities:		
Accounts receivable	(9,100)	5,008
Prepaid expenses	5,024	(4,761)
Accounts payable	(1,837)	(16,276)
Payable to the WindReach Bermuda Trust	(10,000)	-
Deferred revenue	2,829	(28,628)
Deferred contributions	47,277	(35,998)
	<u>136,122</u>	<u>(69,934)</u>
Net cash provided by/(used in) operating activities		
INVESTING ACTIVITIES		
Purchase of capital assets, being net cash used in investing activities	-	(2,095)
	<u>136,122</u>	<u>(72,029)</u>
NET INCREASE/(DECREASE) IN CASH		
CASH, BEGINNING OF YEAR	361,177	433,206
CASH, END OF YEAR	<u>\$ 497,299</u>	<u>\$ 361,177</u>

See accompanying notes to the financial statements

WINDREACH
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

(expressed in Bermuda Dollars)

1. ORGANIZATION

WindReach (the “Company”) was incorporated under the Companies Act, 1981 (the “Act”) 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.

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 (“BRD”) and assumed all of the assets, liabilities, and net assets of BRD. On September 1, 2009, The WindReach Recreational Village Ltd. (“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.

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.

WINDREACH
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

(expressed in Bermuda Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

WINDREACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(expressed in Bermuda Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 2012	Fair value 2012	Cost 2011	Fair value 2011
Marketable securities, held for trading	\$ 997	\$ 1,105	\$ 997	\$ 1,010

WINDREACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(expressed in Bermuda Dollars)

4. CAPITAL ASSETS

	Cost 2012	Accumulated amortization 2012	Net Book Value	
			2012	2011
Computer equipment	\$ 27,366	\$ 26,247	\$ 1,119	\$ 4,057
Furniture and equipment	25,575	18,612	6,963	13,994
Vehicle	21,645	8,414	13,231	20,442
Property	8,864	5,196	3,668	5,502
Total	<u>\$ 83,450</u>	<u>\$ 58,469</u>	<u>\$ 24,981</u>	<u>\$ 43,995</u>

5. PONIES

	Cost 2012	Accumulated amortization 2012	Net Book Value	
			2012	2011
Ponies	<u>\$ 4,100</u>	<u>\$ 2,323</u>	<u>\$ 1,777</u>	<u>\$ 2,597</u>

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, 2011	Contributions received during the period	Recognized as donation or program revenue during the period	Balance June 30, 2012
Riding Program	\$ 132,971	\$ 176,170	\$ 163,103	\$ 146,038
Adaptive Sports	-	80,370	54,699	25,671
Sensory Room	250	-	250	-
Petting Zoo	-	1,000	-	1,000
Other	-	15,000	-	15,000
Vehicle	20,442	-	7,211	13,231
	<u>\$ 153,663</u>	<u>\$ 272,540</u>	<u>\$ 225,263</u>	<u>\$ 200,940</u>

WINDREACH
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

(expressed in Bermuda Dollars)

7. RELATED PARTY TRANSACTIONS

Donations revenue includes amounts totaling \$80,004 (2011: \$80,004) which were received from WindReach International (“WRI”). These amounts were donated in connection with a commitment to the long-term viability and future of the Company. WRI and the Company are related by way of one common director.

At June 30, 2012, the Company owed \$Nil (2011: \$10,000) to the WindReach Bermuda Trust, a company related by way of two common directors.

During the year ended June 30, 2012, directors made cash donations of \$8,000 (2011: \$Nil) to the Company.

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 \$15,300 (2011: \$15,000). The actual amount charged for the audit is \$Nil with the difference of \$15,300 (2011: \$15,000) being recorded in donations revenue.

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.

WINDREACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(expressed in Bermuda Dollars)

12. COMPARATIVE FIGURES

Certain comparative figures of the prior year have been reclassified to conform to the presentation adopted in the current year. These reclassifications had no impact on 2011 excess of revenues over expenditures.

	2011 Original	2011 Reclassified
REVENUES		
Donations	\$ 787,178	\$ 730,378
Activities and events	\$ 52,172	\$ 109,292
Rental income	\$ 65,200	\$ 76,675
Program revenue	\$ 75,327	\$ 63,532
EXPENDITURES		
Facility and program supplies	\$ 180,145	\$ 183,084
Activities and events	\$ 40,437	\$ 37,498