

TORONTO BRIGANTINE INC.

FINANCIAL STATEMENTS
(Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2018

See Accompanying Notes to the Financial Statements

KURIN AND PARTNERS LLP
Chartered Professional Accountants

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Chartered Professional Accountants

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To: Board of directors of
Toronto Brigantine Inc.

We have reviewed the accompanying financial statements of Toronto Brigantine Inc. that comprise the statement of financial position as at October 31, 2018, and the statements of operations, 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.

Practitioner's Responsibility

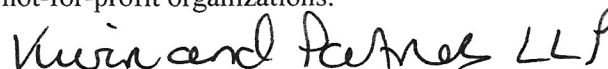
Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Toronto Brigantine Inc. as at October 31, 2018, 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.



CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada
April 15, 2019

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.
STATEMENT OF FINANCIAL POSITION
(Unaudited)

OCTOBER 31, 2018

ASSETS

Current Assets

Bank	\$ 1,178
Accounts receivable (Note 3)	4,212
Prepaid expenses	<u>825</u>
	6,215

Property, Plant and Equipment (Note 4) 210,466

Assets held for sale (Note 13) 123,219

\$ 339,900

LIABILITIES

Current Liabilities

Accounts payable (Note 5 and Note 9)	\$ 101,486
Current portion of long term debt (Note 6)	<u>21,824</u>
	123,310

Long-term Liabilities

Long term debt (Note 6)	139,014
Due to related party (Note 7)	21,949
Deferred revenue (Note 8)	<u>25,850</u>
	186,813
	<u>310,123</u>

NET ASSETS

Unrestricted net assets 29,777

\$ 339,900

Approved on behalf of the board of directors by:

 **Director** *DARREN HOLMES PRESIDENT*

Director

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

STATEMENT OF CHANGES IN NET ASSETS
(Unaudited)

FOR THE PERIOD ENDED OCTOBER 31, 2018

	Program	Treasury	Vessels	Total Net Assets 2018
Balance, beginning of the year	\$ (293,119)	\$ 268,518	\$ (93,475)	\$ 68,874
Deficiency of revenue over expenses	<u>(34,131)</u>	<u>40,152</u>	<u>(45,118)</u>	<u>(39,097)</u>
Balance, end of the year	<u>\$ (327,250)</u>	<u>\$ 308,670</u>	<u>\$ (138,593)</u>	<u>\$ 29,777</u>

(See Note 12)

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

STATEMENT OF OPERATIONS

(Unaudited)

FOR THE PERIOD ENDED OCTOBER 31, 2018

Revenue

Ship fees	\$ 79,013
Foundation and donations	35,442
Fundraising and bursary	22,848
Grant income	4,200
Capital grant income (Note 8)	5,000
(Loss) on sale of capital asset	<u>(17,091)</u>
	<u>129,412</u>

Expenses

Amortization (Note 4)	21,597
Bad debt	7,925
Bank charges and interest	5,196
Insurance	33,137
Interest long long term debt (Note 6)	8,908
Marketing and advertising	1,806
Memberships and dues	575
Office and general	3,327
Office wages	57,294
Professional fees	1,305
Program	3,630
Rent expense (Note 10)	7,120
Telephone	<u>1,059</u>
Vessels	<u>15,630</u>
	<u>168,509</u>

Deficiency of revenue over expenses **\$ (39,097)**

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

STATEMENT OF CASH FLOWS
(Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2018

	2018
Cash provided by (used in) the following activities:	
OPERATING	
Net loss for the year	\$ (39,097)
Items not involving cash:	
Amortization expense	21,597
Changes in non-cash working capital items:	
Accounts receivable	5,007
Prepaid expenses	9,459
Accounts payable	11,336
Deferred revenue	<u>(5,000)</u>
	<u>3,302</u>
Cash from (used in) Finance Activities	
Decrease (increase) in loan from related party	1,000
Increase (decrease) in long term debt	<u>(7,845)</u>
	<u>(8,845)</u>
Decrease in Cash	<u>(5,543)</u>
Cash and cash equivalents, beginning of the year	<u>6,721</u>
Cash and cash equivalents, end of the year	\$ <u><u>1,178</u></u>

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

OCTOBER 31, 2018

Nature of business

Toronto Brigantine Inc. (the "Organization") is incorporated under the Business Corporation Act, Ontario. The organization operates youth and adult seamanship camps and is registered as a charitable organization under the Canadian Income Tax Act. The organization was founded in 1962 as a not-for-profit organization and was incorporated in the province of Ontario without share capital. The organization is not subject to income taxes and is prohibited from distributing any of its surplus to or for the personal benefits of its members.

1. Summary of accounting policies

(a) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported revenue and expenses during the year. Significant areas requiring the use of significant judgment include the measurement of bad debt provision, and amortization periods of tangible assets. Actual results could differ from these estimates.

(b) Revenue recognition

Revenue is recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase of net assets in the year received.

(c) Deferred revenue

Capital donations from prior years are being amortized over an estimated 20 year period at \$5,000 annually.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits which are highly liquid with original maturities of less than three months, and bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

(e) Property and equipment

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided based on their estimated productive lives using the following methods and annual rates:

	<u>Rate</u>	<u>Method</u>
Sailing equipment	10%	declining balance
Vessels and structural improvements	5%	declining balance

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

OCTOBER 31, 2018

1. Summary of Accounting Policies (Continued)

(f) Related party transactions

Related party transactions in the normal course of business that have commercial substance, are measured at the exchange amount, except for non-monetary transactions where there is an exchange of a product or property held for sale, which are measured at the carrying amount of the asset given up, adjusted for the fair value of any monetary consideration.

Related party transactions not in the normal course of the business that have commercial substance, are measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Comparatives

An audit or review was not performed on the 2017 fiscal year. Formal financial statements were also not prepared and issued. Comparatives were not available for display on these financial statements for this reason as current year may have been affected by prior year balances.

3. Accounts receivable

	2018
Trade	\$ 4,773
Allowance for doubtful accounts	<u>(561)</u>
	<u><u>\$ 4,212</u></u>

During the year, the company recovered bad debts of \$7,925.

4. Property, Plant and Equipment

	Cost	Accumulated Amortization	2018 Net Book Value
Sailing equipment	\$ 56,939	\$ 33,899	\$ 23,040
Vessels and structural improvements	<u>809,351</u>	<u>621,925</u>	<u>187,426</u>
	<u><u>\$ 866,290</u></u>	<u><u>\$ 655,824</u></u>	<u><u>\$ 210,466</u></u>

Total amortization expense included in net income for the year is \$21,597.

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

OCTOBER 31, 2018

5. Accounts Payable

	2018
Trade	\$ 70,265
Accrued liabilities	8,816
Government remittances payable (Note 9)	<u>22,405</u>
	<u><u>\$ 101,486</u></u>

6. Long-term Debt

	2018
Loan payable	\$ 160,838
Less: Current portion	<u>(21,824)</u>
	<u><u>\$ 139,014</u></u>

The loan payable bears interest at 5% with blended monthly payments of \$2,441, matures April 30, 2026, and is secured by a specific asset with a carrying value of \$312,377.

The total minimum obligation under capital lease payments required for the next five years are as follows:

	Principal	Interest	Total
2019	\$ 51,744	\$ 7,548	\$ 59,292
2020	27,994	6,436	34,430
2021	24,026	5,266	29,292
2022	25,256	4,037	29,293
2023	<u>26,548</u>	<u>2,745</u>	<u>29,293</u>
	<u><u>\$ 155,568</u></u>	<u><u>\$ 26,032</u></u>	<u><u>\$ 181,600</u></u>

7. Due to related party

The amount owing to a past Director is non-interest bearing with no fixed terms of repayment, and arose as a result of expenditures incurred on behalf of the organization. It is currently being discharged at a rate of \$1,000 per year by donation from the past Director.

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TORONTO BRIGANTINE INC.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

OCTOBER 31, 2018

8. Deferred Revenue

Deferred revenue consists of a deferred capital grant in the amount of \$25,850. The deferred capital grant is being recognized into income at a rate of \$5,000 per year and arises from a transactions in 1998.

9. HST Audit

The CRA is scheduled to perform an audit of the HST account for the Organization. The CRA will be auditing the 2016, 2017 and 2018 fiscal year ends. This audit is scheduled to commence on April 16, 2019. It is our understanding the 2017 and 2018 HST returns have not been filed and the balances have not been paid. The effect the HST audit will have on the HST amounts owing is unknown at this time.

10. Commitments

The Organization leases its premises. The minimum annual lease payments, net of HST, required for the next five years are as follows:

2019	\$ 6,000
2020 to 2023	-
	<u>\$ 6,000</u>

11. Financial instruments

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is mainly exposed to this risk through its accounts payable, as it is required to make specific payments on a timely basis. The entity minimizes this risk by monitoring an anticipating its operating requirements through the preparation of budgets and cash forecasts, ensuring it has sufficient funds to meet its obligations. There has been no change in the risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is mainly exposed to this risk through its accounts receivable as it provides credit to its customers in the normal course of its operations. The Organization minimizes this risk by dealing with credit worthy customers, monitored through the use of credit rating agencies. There has been no change in the risk exposure from the prior year.

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

OCTOBER 31, 2018

12. Excess of (deficiency) revenue over expenses by fund

Program

Ship fees	\$ <u>79,013</u>
Bank charges and interest	5,196
Insurance	33,137
Marketing and advertising	1,806
Memberships and dues	575
Office and general	3,327
Office wages	57,294
Program	3,630
Rent expense (Note 10)	7,120
Telephone	<u>1,059</u>
	\$ <u>(34,131)</u>

Treasury

Foundation and donations	\$ 35,442
Fundraising and bursary	<u>22,848</u>
	<u>58,290</u>
Interest long long term debt (Note 6)	8,908
Professional fees	1,305
Bad debt	<u>7,925</u>
	\$ <u>40,152</u>

Vessels

Grant income	\$ 4,200
Capital grant income (Note 8)	5,000
(Loss) on sale of capital asset	<u>(17,091)</u>
	<u>(7,891)</u>
Amortization (Note 4)	21,597
Vessels	<u>15,630</u>
	\$ <u>(45,118)</u>

See Accompanying Notes to the Financial Statements

TORONTO BRIGANTINE INC.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

OCTOBER 31, 2018

13. Subsequent Events

The Organization sold one of its vessels subsequent to the fiscal year end for \$130,000. The balance was collected in full in January 2019. There was a loss on the sale of the vessel of \$17,091 which was recognized in the current year.

The Organization repaid its long term debt balance of \$124,000 in full. The balance was paid using funds from the sale of the vessel and was paid in full in January 2019

The Organization entered into a commitment to repay a long standing debt with a vendor in December 2018. The Organization agreed to repay \$2,500 per month commencing in January 2020 when the balance is repaid in full.

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