

BRIGS YOUTH SAIL TRAINING

(Formerly Toronto Brigantine Inc.)

FINANCIAL STATEMENTS

(Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

BRIGS YOUTH SAIL TRAINING

FINANCIAL STATEMENTS
(Unaudited)

OCTOBER 31, 2020

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To: The Directors of
Brigs Youth Sail Training

We have reviewed the accompanying financial statements of Brigs Youth Sail Training that comprise the statement of financial position as at October 31, 2020, 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 Brigs Youth Sail Training as at October 31, 2020, 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.

Kurin and Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada
February 17, 2021

BRIGS YOUTH SAIL TRAINING
STATEMENT OF FINANCIAL POSITION
(Unaudited)

OCTOBER 31, 2020

	2020	2019
ASSETS		
Current Assets		
Bank	\$ 16,258	\$ 7,991
Accounts receivable (Note 2)	9,901	7,160
Prepaid expenses and deposits	<u>1,398</u>	<u>825</u>
	27,557	15,976
Restricted Cash (Note 3)	10,004	-
Property, Plant and Equipment (Note 4)	<u>202,330</u>	<u>198,791</u>
	<u>\$ 239,891</u>	<u>\$ 214,767</u>
LIABILITIES		
Current Liabilities		
Bank loan (Note 5)	\$ 40,000	\$ -
Accounts payable (Note 6)	73,969	86,854
Current portion of long-term debt	<u>-</u>	<u>10,137</u>
	<u>113,969</u>	<u>96,991</u>
Long-term Liabilities		
Due to related parties (Note 7)	25,443	20,949
Deferred revenue (Note 8)	<u>22,810</u>	<u>20,850</u>
	<u>48,253</u>	<u>41,799</u>
	<u>162,222</u>	<u>138,790</u>
NET ASSETS		
Unrestricted net assets	<u>77,669</u>	<u>75,977</u>
	<u>\$ 239,891</u>	<u>\$ 214,767</u>

Approved on behalf of the board of directors by:

Francis Clegg

See Accompanying Notes to the Financial Statements

BRIGS YOUTH SAIL TRAINING
STATEMENT OF CHANGES IN NET ASSETS
(Unaudited)
FOR THE YEAR ENDED OCTOBER 31, 2020

	Program	Treasury	Vessels	Total Net Assets 2020
Balance, beginning of the year	\$ (351,214)	\$ 352,719	\$ 74,472	\$ 75,977
Excess of revenues over (under) expenditures	<u>(73,448)</u>	<u>79,512</u>	<u>(4,372)</u>	<u>1,693</u>
Balance, end of the year	<u>\$ (424,662)</u>	<u>\$ 432,231</u>	<u>\$ 70,100</u>	<u>\$ 77,669</u>

(See Note 13)

See Accompanying Notes to the Financial Statements

BRIGS YOUTH SAIL TRAINING

STATEMENT OF OPERATIONS

(Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

	2020	2019
Revenues		
Ship fees	\$ 19,575	\$ 118,034
Foundation and donations	95,385	31,874
Fundraising and bursary	4,865	13,919
Grant income	16,513	41,000
Capital grant income (Note 8)	5,000	5,000
Loss on write-down of assets held for sale	-	<u>(38,308)</u>
	<u>141,338</u>	<u>248,135</u>
Expenditures		
Amortization (Note 4)	11,741	11,675
Bad debt (recovery of)	(262)	(93)
Bank charges and interest	2,787	5,877
Insurance	18,623	20,824
Interest on long-term debt (recovery of)	-	(663)
Marketing and advertising	5,780	1,476
Memberships and dues	-	444
Office and general	2,421	2,270
Professional fees	21,000	2,500
Program	6,677	11,057
Rent (Note 9)	7,010	9,398
Salaries and benefits (Note 10)	48,679	89,426
Telephone	1,045	1,226
Vessels	<u>14,144</u>	<u>46,518</u>
	<u>139,645</u>	<u>201,935</u>
Excess of revenues over expenditures	\$ <u>1,693</u>	\$ <u>46,200</u>

See Accompanying Notes to the Financial Statements

BRIGS YOUTH SAIL TRAINING

STATEMENT OF CASH FLOWS

(Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

	2020	2019
Cash provided by (used in) the following activities:		
OPERATING		
Excess of revenues over expenditures	\$ 1,693	\$ 46,200
Items not involving cash:		
Amortization of property, plant and equipment	11,741	11,675
Gain on sale of assets held for sale	-	1,471
Gain on discharge of mortgage	-	(36,838)
Recognition of deferred revenue	(5,000)	(5,000)
Changes in non-cash working capital:		
Accounts receivable	(2,741)	(2,948)
Prepaid expenses	(574)	-
Accounts payable	(12,886)	(20,503)
Deferred revenue	<u>6,960</u>	<u>-</u>
	<u>(807)</u>	<u>(5,943)</u>
INVESTING		
Acquisition of property, plant and equipment	(15,280)	-
Proceeds from bank loan	40,000	-
Proceeds from sale of assets held for sale	-	130,000
Restricted cash	<u>(10,004)</u>	<u>-</u>
	<u>14,716</u>	<u>130,000</u>
FINANCING		
Repayment of loan from related party	4,495	(1,000)
Repayment of long-term debt	<u>(10,137)</u>	<u>(116,244)</u>
	<u>(5,642)</u>	<u>(117,244)</u>
Change in cash and cash equivalents	8,267	6,813
Cash and cash equivalents, beginning of year	<u>7,991</u>	<u>1,178</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,258</u></u>	<u><u>\$ 7,991</u></u>

See Accompanying Notes to the Financial Statements

BRIGS YOUTH SAIL TRAINING

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

Nature of business

Brigs Youth Sail Training 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.

The Organization changed its name from "Toronto Brigantine Inc." to "Brigs Youth Sail Training" in 2020.

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 priors 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

BRIGS YOUTH SAIL TRAINING

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

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. Accounts receivable

	2020	2019
Trade	\$ 7,975	\$ 1,827
Canada Emergency Wage Subsidy	904	-
Other	1,022	5,595
Allowance for doubtful accounts	<u>-</u>	<u>(262)</u>
	<u><u>\$ 9,901</u></u>	<u><u>\$ 7,160</u></u>

3. Restricted Cash

The Organization has established a Capital Campaign Fund for expenditures related to the refurbishment of its Vessel. This Capital Campaign Fund is to be segregated from cash balances available for current use. As at the year end, all of the restricted cash was invested in interest-bearing bank deposits that earned \$4 in interest.

4. Property, Plant and Equipment

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Computer equipment	\$ 2,917	\$ (2,917)	\$ -	\$ -
Office furniture and equipment	2,043	(2,043)	-	-
Sailing equipment	72,221	(39,040)	33,179	20,737
Vessels and improvements	809,351	(640,200)	169,151	178,054
Website	<u>3,857</u>	<u>(3,857)</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 890,389</u></u>	<u><u>\$ (688,057)</u></u>	<u><u>\$ 202,330</u></u>	<u><u>\$ 198,791</u></u>

Total amortization expense included in net income for the year is \$11,741.

BRIGS YOUTH SAIL TRAINING

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

5. Bank Loan

The bank loan was issued pursuant to the Canada Emergency Business Account ("CEBA") government program. The loan is non-interest bearing and no principal payments are required until December 31, 2022. Subsequent to December 31, 2022, any remaining balance outstanding will be converted to a three-year term loan bearing interest at 5%, with monthly interest payments, and matures December 31, 2025. The terms and conditions of the loan require that the funds be used only for non-deferrable operating expenses of the Organization such as payroll, rent, utilities, insurance, and property tax. As of October 31, 2020, the Organization is compliant with these conditions. A portion of the loan is forgivable provided certain future conditions are met, as further described in Note 12.

6. Accounts Payable

	2020	2019
Trade	\$ 64,476	\$ 72,765
Accrued liabilities	8,000	5,000
Government remittances payable	<u>1,493</u>	<u>9,088</u>
	<u>\$ 73,969</u>	<u>\$ 86,854</u>

7. Due to related parties

\$19,949 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. \$5,494 owing to two current staff members is non-interest bearing with no fixed terms of repayment, and arose as a result of expenditures incurred on behalf of the Organization.

8. Deferred Revenue

Deferred revenue consists of the following:

	2020	2019
Capital grant	\$ 15,850	\$ 20,850
Canada Summer Jobs grant	2,039	-
Bonnell Cove grant	<u>4,921</u>	<u>-</u>
	<u>\$ 22,810</u>	<u>\$ 20,850</u>

The deferred capital grant is being recognized into income at a rate of \$5,000 per year and arises from a transaction in 1998. The Canada Summer Jobs grant is being recognized into income based on the number of hours worked. The Bonnell Cove grant was awarded in support of acquisition of navigation equipment and it being recognized into income on the same basis as the capital assets.

BRIGS YOUTH SAIL TRAINING

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

9. Rent Subsidies

During the year, the Organization and its Landlord participated in the Canadian Emergency Commercial Rent Assistance ("CECRA") program and entered into a Rent Reduction Agreement. Pursuant to the terms of the Agreement, the Landlord granted forgiveness of 75% of the Organization's monthly contract rent for the months of April, May, and June, totaling to \$1,766 for the fiscal year.

10. Wage Subsidies

During the year, the Organization received received government assistance of \$37,715 under the Canada Emergency Wage Subsidy ("CEWS") program. As of October 31, 2020, \$904 of CEWS has not yet been received and included in accounts receivable. The terms and conditions of the assistance require that the funds for the program be used to offset salaries and benefits expense for the periods applied, and consequently, there is no contingent liability for repayment.

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 and 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.

12. Contingent Gain

The terms of the CEBA bank loan as described in Note 5 include a provision that \$10,000 of the loan will be forgiven if \$30,000 of the loan is repaid by December 31, 2022 and all other terms and conditions are complied with. While the gain has not yet been recognized, Managements expects that the loan will be repaid and the gain realized by December 31, 2022.

BRIGS YOUTH SAIL TRAINING

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

13. Excess (deficiency) of revenues over expenditures by fund

Program	2020	2019
Ship fees	\$ <u>19,575</u>	\$ <u>118,034</u>
Bank charges and interest	2,787	5,877
Insurance	18,623	20,824
Marketing and advertising	5,780	1,476
Memberships and dues	-	444
Office and general	2,422	2,270
Salaries and benefits	48,679	89,426
Program	6,677	11,057
Rent	7,010	9,398
Telephone	<u>1,045</u>	<u>1,226</u>
	<u>93,023</u>	<u>141,998</u>
	\$ <u>(73,448)</u>	\$ <u>(23,964)</u>
Treasury		
Foundation and donations	95,385	31,874
Fundraising and bursary	<u>4,865</u>	<u>13,919</u>
	<u>100,250</u>	<u>45,793</u>
Interest on long-term debt (recovery of)	-	(663)
Professional fees	21,000	2,500
Bad debt (recovery of)	<u>(262)</u>	<u>(93)</u>
	<u>20,738</u>	<u>1,744</u>
	\$ <u>79,512</u>	\$ <u>44,049</u>
Vessels		
Grant income	16,513	41,000
Capital grant income (Note 8)	5,000	5,000
Gain on sale of assets held for sale and mortgage	<u>-</u>	<u>38,308</u>
	<u>21,513</u>	<u>84,308</u>
Amortization (Note 4)	11,741	11,675
Vessels	<u>14,144</u>	<u>46,518</u>
	<u>25,885</u>	<u>58,193</u>
	\$ <u>(4,372)</u>	\$ <u>26,115</u>

BRIGS YOUTH SAIL TRAINING

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED OCTOBER 31, 2020

14. Related Party Transactions

The Organization entered into a rental agreement with Hamilton-Oshawa Port Authority ("HOPA") in July 2020. The President and CEO of HOPA is a Board member of the Organization. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. The total rent expense paid during the year is \$1,712.

15. Significant Events

On March 11, 2020, the World Health Organization ("WHO") declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus ("COVID-19"). This has caused governmental authorities and non-governmental entities to introduce measures to try to limit this pandemic. Following the Government of Canada's announcement of enforcing social-distancing measures, the Organization experienced a revenue decline of 25% from April to October, as the Organization's summer programs and port appearance events were cancelled. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.

16. Subsequent Events

In December 2020, the Government of Canada expanded the CEBA program by providing an additional interest-free CEBA loan amount of \$20,000, of which up to half will be forgivable if the balance of the loan is paid by December 31, 2022. The Organization received the \$20,000 in February 2021.