



Financial Statements

760 Rye Street Inc.

March 31, 2020

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Independent Auditor's Report

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To the Directors of
760 Rye Street Inc.

Opinion

We have audited the financial statements of 760 Rye Street Inc., which comprise the balance sheet as at March 31, 2020, and the statements of income and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Peterborough, Canada
June 29, 2020

Chartered Professional Accountants
Licensed Public Accountants

760 Rye Street Inc.**Statements of Income and Retained Earnings**

Year ended March 31

2020**2019**

Revenue		
Rent	\$ 151,137	\$ 208,548
Interest income	<u>87</u>	<u>44</u>
	<u>151,224</u>	<u>208,592</u>
Expenses		
Amortization	34,676	36,121
Interest and bank charges	817	918
Interest on long-term debt	58,116	75,324
General and administrative	4,000	4,000
Property taxes	<u>46,254</u>	<u>44,895</u>
	<u>143,863</u>	<u>161,258</u>
Income before income taxes	7,361	47,334
Income taxes	<u>2,141</u>	<u>12,613</u>
Net income	<u>\$ 5,220</u>	<u>\$ 34,721</u>
<hr/>		
Retained earnings, beginning of year	\$ 332,674	\$ 297,953
Net income	<u>5,220</u>	<u>34,721</u>
Retained earnings, end of year	<u>\$ 337,894</u>	<u>\$ 332,674</u>

760 Rye Street Inc.

Balance Sheet

March 31

2020

2019

Assets

Current

Cash	\$ 61,400	\$ 46,769
Accounts receivable	11,000	-
Advances to a related party	<u>456,000</u>	<u>470,000</u>
	<u>528,400</u>	<u>516,769</u>

Land and building

Land	171,114	171,114
Building	<u>1,273,267</u>	<u>1,273,267</u>

	1,444,381	1,444,381
Less accumulated amortization on building	<u>441,048</u>	<u>406,372</u>

	<u>1,003,333</u>	<u>1,038,009</u>
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	<u>\$ 1,531,733</u>	<u>\$ 1,554,778</u>
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Liabilities

Current

Accounts payable and accrued liabilities	\$ 17,678	\$ 3,915
Income taxes payable	2,141	12,608
Current portion of long-term debt (Note 3)	<u>1,174,019</u>	<u>67,920</u>
	1,193,838	84,443

Long-term

Long-term debt (Note 3)	<u>-</u>	<u>1,137,660</u>
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	<u>1,193,838</u>	<u>1,222,103</u>
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Shareholder's equity

Share capital

Authorized

Unlimited number of common shares

Issued

1 common share	1	1
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Retained earnings	<u>337,894</u>	<u>332,674</u>
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	<u>337,895</u>	<u>332,675</u>
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	<u>\$ 1,531,733</u>	<u>\$ 1,554,778</u>
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760 Rye Street Inc.

Statement of Cash Flows

Year ended March 31

2020

2019

Increase (decrease) in cash

Operating

Net income	\$ 5,220	\$ 34,721
Item not affecting cash		
Amortization	<u>34,676</u>	<u>36,121</u>
	39,896	70,842
Change in non-cash working capital items		
Accounts receivable	(11,000)	-
Accounts payable and accrued liabilities	13,763	(210)
Income taxes	(10,467)	(708)
Repayment of advances to a related party	<u>14,000</u>	<u>-</u>
	46,192	<u>69,924</u>

Financing

Repayment of long-term debt	(1,231,561)	(67,920)
Proceeds of long-term debt	<u>1,200,000</u>	<u>-</u>
	(31,561)	<u>(67,920)</u>

Increase in cash **14,631** 2,004

Cash

Beginning of year	<u>46,769</u>	<u>44,765</u>
End of year	\$ 61,400	\$ 46,769

760 Rye Street Inc.

Notes to the Financial Statements

March 31, 2020

1. Nature of operations

760 Rye Street Inc. ("the company") was incorporated under the laws of the Province of Ontario on April 15, 2009. The financial statements reflect the financial position and operating results for the real estate located at the same address.

2. Significant accounting policies

The company applies the Canadian accounting standards for private enterprises.

Revenue recognition

Revenue is recognized on a straight line basis over the term of the lease.

Land and building

Land and building are initially measured at cost and the building is subsequently measured at cost less accumulated amortization. Amortization is provided on a straight line basis over 30 years.

Future income taxes

The company has elected to account for income taxes using the future income taxes method. In providing for corporate income taxes, temporary differences between the tax basis of assets or liabilities and their carrying amounts are reflected as future income taxes. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate future income taxes.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known. The most significant estimate affecting these financial statements is the estimated useful life of the building.

During the year, the company reviewed the estimated useful life of the building. As a result, the company changed the basis of calculating amortization on this building from the declining balance method at 4% to the straight line method over 30 years. This change in estimate has been applied prospectively.

Financial instruments

The company considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The company accounts for the following as financial instruments:

- cash
- accounts receivable
- advances to a related party
- accounts payable
- long-term debt

760 Rye Street Inc.

Notes to the Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

Financial instruments (continued)

A financial asset or liability is recognized when the company becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

The company subsequently measures its financial assets and financial liabilities at amortized cost.

The company removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

3. Long-term debt

	<u>2020</u>	<u>2019</u>
Loan payable, due July 15, 2036 with monthly principal payments of \$5,660 plus interest at BDC's floating base rate plus a variance of 0.25% per year, repaid during the year	\$ -	\$ 1,205,580
Loan payable, due July 2020, with monthly blended payments of \$7,361, bearing interest at 4.14% per year	<u>1,174,019</u>	<u>-</u>
	<u>1,174,019</u>	1,205,580
Less current portion	<u>1,174,019</u>	<u>67,920</u>
Due beyond one year	<u>\$ -</u>	<u>\$ 1,137,660</u>

The loan is secured by a first collateral mortgage over the land and building at 760 Rye St., in the amount of \$2 million, a general security agreement constituting a first ranking security interest in all property of the company and an unlimited guarantee by Quickmill Inc., a company under common control.

760 Rye Street Inc.

Notes to the Financial Statements

March 31, 2020

4. Related party transactions

Rental income of \$151,137 (2019 - \$208,548) was received from Quickmill Inc., a company under common control, which has leased the land and building. Included in accounts receivable is \$11,000 related to rental income receivable from Quickmill Inc.

The advances receivable from this related company are due on demand, non-interest bearing and have no specified terms of repayment.

The rental transaction between these related companies is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

5. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to the financial instruments. Unless otherwise noted, there has been no change to the financial instrument risk from the prior year.

(a) Liquidity risk

Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. The company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and repays long term debt interest and principal as they become due. Cash flows from operations sufficiently provides for the company's cash requirements.

(b) Interest rate risk

Interest rate risk is the risk that the the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has interest rate exposure on its long term debt. This exposure may have an effect on its earnings in future periods. The company reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented.

760 Rye Street Inc.

Notes to the Financial Statements

March 31, 2020

6. COVID-19 implications

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The related company, Quickmill Inc, which rents the building and land held by the company continued to operate during the pandemic, therefore COVID-19 has had an insignificant impact on the company.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.
