

Endeavour Community Sailing

Financial Statements

August 31, 2018

(expressed in Bermuda dollars)



December 12, 2018

Independent Auditor's Report

To the Members of Endeavour Community Sailing

We have audited the accompanying financial statements of Endeavour Community Sailing, which comprise the statement of financial position as at August 31, 2018 and the statements of operations and changes in fund balance, and cash flows for the period November 1, 2017 to August 31, 2018, and the related notes, which comprise 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 Standards for Not-For-Profit Organizations 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 overall 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 not-for-profit organizations, Endeavour Community Sailing derives revenues from corporate donations and fund-raising activities, 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 Endeavour Community Sailing. Therefore, we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses and cash flows from operations for the period November 1, 2017 to August 31, 2018 and January 1, 2017 to October 31, 2017, current assets as at August 31, 2018 and October 31, 2017 and net assets as at the beginning and the end of the periods ended November 1, 2017 to August 31, 2018 and January 1, 2017 to October 31, 2017. Our audit opinion on the financial statements for the period ended October 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.



Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Endeavour Community Sailing as at August 31, 2018 and the results of its operations and its cash flows for the period November 1, 2017 to August 31, 2018 in accordance with Accounting Standards for Not-For-Profit Organizations in Bermuda and Canada.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Endeavour Community Sailing

Statement of Financial Position

As at August 31, 2018

(expressed in Bermuda dollars)

	2018 \$	2017 \$
Assets		
Trade and other receivables	28,119	5,000
Cash	1,785,094	1,774,386
Fixed assets (Note 3)	427,259	477,308
Total assets	<u>2,240,472</u>	<u>2,256,694</u>
Liabilities		
Accounts payable and accrued liabilities	<u>47,545</u>	<u>23,145</u>
Total liabilities	<u>47,545</u>	<u>23,145</u>
Fund Balance	<u>2,192,927</u>	<u>2,233,549</u>

The accompanying notes are an integral part of these financial statements.

Endeavour Community Sailing

Statement of Operations and Changes in Fund Balance

For the period November 1, 2017 to August 31, 2018

(expressed in Bermuda dollars)

	2018 \$	2017 \$
Income		
Sponsorships		
Corporate sponsors	505,000	1,480,000
Donations		
America's Cup Event Authority (Bermuda) Limited	-	927,979
Charity dinner and auction	-	480,491
Other	163,634	232,644
	163,634	1,641,114
Total revenue	668,634	3,121,114
Expenses		
Operational expenses		
Salaries	495,460	447,874
Depreciation	90,192	36,090
Audit and accounting	30,180	28,600
Base operation	21,528	27,037
Boat operation	18,743	13,411
Administrative expenses	16,948	8,662
Other staff	14,218	-
Events and marketing	9,960	5,761
Program costs	9,679	10,444
Safety equipment and clothing	2,348	42,080
Charity dinner and auction	-	220,471
Doubtful debts	-	30,500
Legal	-	7,444
Travel and accommodation	-	4,658
Loss on sale of assets	-	4,533
Total expenses	709,256	887,565
Excess (deficit) of revenue over expenditure	(40,622)	2,233,549
Fund balance, beginning of period	2,233,549	-
Fund balance, end of period	2,192,927	2,233,549

The accompanying notes are an integral part of these financial statements.

Endeavour Community Sailing

Statement of Cash Flows

For the period November 1, 2017 to August 31, 2018

(expressed in Bermuda dollars)

	2018 \$	2017 \$
Cash provided by operating activities		
Operations		
Excess (deficit) of revenue over expenditure	(40,622)	2,233,549
Items not affecting cash		
Depreciation	90,192	36,090
Loss on sale of fixed assets	-	4,533
Asset donations	-	(403,747)
Changes in non-cash operating working capital		
Receivables	(23,119)	(5,000)
Accounts payable and accrued liabilities	24,400	23,145
Net cash provided by operating activities	<u>50,851</u>	<u>1,888,570</u>
Investing activities		
Sale of boats	-	2,000
Purchase of fixed assets	(40,143)	(116,184)
Net cash used in investing activities	<u>(40,143)</u>	<u>(114,184)</u>
Increase in cash and cash equivalents	10,708	1,774,386
Cash and cash equivalents, beginning of period	<u>1,774,386</u>	-
Cash and cash equivalents, end of period	<u>1,785,094</u>	<u>1,774,386</u>

The accompanying notes are an integral part of these financial statements.

Endeavour Community Sailing

Notes to the Financial Statements

August 31, 2018

1. *The purpose of the organization*

Endeavour Community Sailing (“Endeavour”) was first established in August 2015 under the auspices of the America’s Cup Event Authority (Bermuda) Limited (“ACEA”) as a non-profit company limited by guarantee, whose primary purpose is to engage students in Bermuda in experiential learning activities with STEAM (Science, Technology, Engineering, Arts and Math) through sailing. In June 2018 Endeavour changed its year end from October 31 to August 31, commencing with August 31, 2018.

During the period ended October 31, 2017, Endeavour was funded by ACEA, in partnership with corporate sponsors and private individuals. There were no restrictions placed on the use of these funds; the Board of Directors of Endeavour allocates funds based on the annual budget in order to further Endeavour’s mandate to the community. Since November 1, 2017, Endeavour has been funded solely by corporate sponsors and donations.

In February 2017 Endeavour was granted charitable status as a registered Bermuda charity by the Charities Commission, in accordance with the Charity Act 2014. In September 2018 Endeavour’s charitable status was renewed for a further 3 years. On November 1, 2017, Endeavour’s ties with ACEA were discontinued, as part of ACEA’s wind up of operations subsequent to the completion of the 35th America’s Cup and it became fully autonomous.

2. *Significant accounting policies*

The financial statements of Endeavour have been prepared in accordance with Accounting Standards for Not-For-Profit Organizations in Bermuda and Canada using the deferral method of recording contributions. The preparation of financial statements in accordance with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at date of the financial statements, as well as the reported amounts of income and expenses during the year.

The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

(a) **Revenue recognition**

Endeavour follows the deferral method of accounting for contributions. Unrestricted contributions are recognised as revenue in the period in which they are received. Restricted contributions are recognised as revenue in the period in which the related expenses are incurred. Contributions for expenses not yet incurred are, therefore, deferred to a later date and recorded in the Statement of Financial Position in the line item “Deferred contributions”. Contributions for capital are recognised over the same period that the assets are charged to expenses. Donations of land and other assets that will not be depreciated at any time are never recorded as revenue. They are instead recorded as a direct increase in net assets, similar to an endowment contribution.

(b) **Financial instruments**

Endeavour’s financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities.

i) **Cash and cash equivalents**

At August 31, 2018, Endeavour held cash and cash equivalents of \$1,785,094 (2017 - \$1,774,386). The cash and cash equivalents are held with banks which are rated A based on Standard & Poor’s credit ratings.

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognised on a trade date basis. Transaction costs are expensed as incurred.

Endeavour Community Sailing

Notes to the Financial Statements

August 31, 2018

The financial assets and financial liabilities of Endeavour are classified and measured as follows:

Assets/liabilities	Measurement
Cash and cash equivalents	Fair value
Accounts payable and accrued liabilities	Fair value

Endeavour does not enter into any derivative financial instrument arrangements for hedging or speculative purposes.

(c) **Fixed assets**

Endeavour expenses all fixed assets below a threshold of \$2,000, as they are considered to be fully depreciated within the year of purchase. All other fixed assets are capitalised in the year acquired and are depreciated on a straight line basis over the assets' useful lives as follows:

Docks	10 years
Boats	5 years
Vehicles	5 years
Computers, website and equipment	3 years
Operations bases	5 years

Donated assets are capitalised at fair value at the date of contribution where a fair value can be measured reliably. When a fixed asset no longer contributes to Endeavour's operations, its carrying amount is written down to its residual value.

(d) **Contributed services**

Volunteers with technical or professional expertise contribute a substantial number of hours each year to assist Endeavour in carrying out its activities. Due to the difficulty in determining the fair value of volunteers at Endeavour, their contributions are not recognised in the financial statements. However, business and corporations that contribute in-kind gifts and/or services which have a determinable fair value are recognised in the financial statements. Included in income for the period is \$20,000 (2017 \$25,000) of donated services.

(e) **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from those estimates. Significant estimates and assumptions include carrying amounts of accounts receivable, estimated useful lives of fixed assets and accrued liabilities.

3. **Fixed assets**

Description	Cost	Accumulated depreciation	2018 Net book value
	\$	\$	\$
Docks	75,000	8,750	66,250
Boats	270,000	64,165	205,835
Vehicles	80,000	22,666	57,334
Computers, website and equipment	59,861	18,263	41,598
Operations bases	68,213	11,971	56,242
Total	553,074	125,815	427,259

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Description	Cost \$	Accumulated depreciation \$	2017 Net book value \$
Docks	75,000	2,500	72,500
Boats	270,000	18,000	252,000
Vehicles	80,000	9,333	70,667
Computers and equipment	45,141	4,742	40,399
Operations bases	42,790	1,048	41,742
Total	512,931	35,623	477,308

4. *Financial instruments and risk management*

The estimated fair values of Endeavour's cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values.

Financial assets which potentially subject Endeavour to concentrations of credit risk consist primarily of cash and cash equivalents.

Significant risks that are relevant to Endeavour are as follows:

(a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Endeavour's main credit risk relates to cash held at banks. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents are placed with high credit quality institutions.

(b) **Liquidity risk**

Liquidity risk is the risk that Endeavour will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Endeavour manages its liquidity risk by maintaining cash in current accounts. Endeavour also prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

5. *Capital management*

As a not-for-profit entity, Endeavour's operations are reliant on revenues generated annually. Accumulated fund balances are not restricted and are available for the use of Endeavour at the discretion of the Board.

6. *Registered Charity*

In September 2018, Endeavour's charitable status was renewed for a further 3 years.

7. *Related parties*

Included in income for the period, is \$Nil (2017 - \$524,232) of cash support received from ACEA as well as assets to the value of \$Nil (2017 - \$403,747). Assets were transferred at assessed fair values at the time of transfer.

As described in note 1, Endeavour was established by ACEA as part of its America's Cup legacy program and the organisation was administered by ACEA staff. Funds were raised by ACEA on behalf of Endeavour through various methods including corporate and individual sponsorships and fundraising events. Funds were also allocated by the ACEA directly within its budget for establishing and supporting Endeavour.

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Orbis Investment Management Limited (Orbis) is the main corporate sponsor of the Endeavour Community Sailing program. Alec Cutler, Endeavour board member, is a Director of Orbis.