

Endeavour Community Sailing

Financial Statements

August 31, 2019

(expressed in Bermuda dollars)



Independent auditor's report

To the Members of Endeavour Community Sailing

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of Endeavour Community Sailing (the Charity) as at August 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Not-For-Profit Organizations in Bermuda and Canada.

What we have audited

The Charity's financial statements comprise:

- the statement of financial position as at August 31, 2019;
- the statement of operations and changes in fund balance for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Charity derives revenue 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 the Charity. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of expenditure over revenue and cash provided by operating activities for the years ended August 31 2019 and August 31, 2018, current assets and net assets as at August 31, 2019 and August 31, 2018. In addition to the modification to our audit opinion for the current year, our audit opinion for the prior year was also modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Charity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.



Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

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 auditing standards generally accepted in Bermuda and Canada 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 auditing standards generally accepted in Bermuda and Canada, we exercise professional judgment and maintain professional scepticism 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 Charity'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 Charity'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 Charity 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

January 13, 2020

Endeavour Community Sailing

Statement of Financial Position

As at August 31, 2019

(expressed in Bermuda dollars)

	2019	2018
	\$	\$
Assets		
Trade and other receivables	10,450	28,119
Cash	1,722,184	1,785,094
Fixed assets (Note 3)	365,980	427,259
Total assets	2,098,614	2,240,472
Liabilities		
Accounts payable and accrued liabilities	16,652	47,545
Total liabilities	16,652	47,545
Fund Balance	2,081,962	2,192,927

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

Endeavour Community Sailing
Statement of Operations and Changes in Fund Balance
For the year ended August 31, 2019

(expressed in Bermuda dollars)

	2019	2018
	\$	\$
Income		
Sponsorships	750,000	495,000
Grants	120,000	4,450
Donations	39,496	129,131
Total revenue	909,496	668,634
Expenses		
Operational expenses		
Salaries	623,957	495,460
Depreciation	123,884	90,192
Base operation	69,217	21,528
Program costs	47,064	9,679
Audit and accounting	37,940	30,180
Administrative expenses	33,283	16,948
Boat operation	31,919	18,743
Events and marketing	28,238	9,960
Other staff costs	23,124	14,218
Safety equipment and clothing	1,835	2,348
Total expenses	1,020,461	709,256
Excess of expenditure over revenue	(110,965)	(40,622)
Fund balance, beginning of year	2,192,927	2,233,549
Fund balance, end of year	2,081,962	2,192,927

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

Endeavour Community Sailing

Statement of Cash Flows

For the year ended August 31, 2019

(expressed in Bermuda dollars)

	2019 \$	2018 \$
Cash provided by operating activities		
Operations		
Excess of expenditure over revenue	(110,965)	(40,622)
Items not affecting cash		
Depreciation	123,884	90,192
Changes in non-cash operating working capital		
Receivables	17,669	(23,119)
Accounts payable and accrued liabilities	(30,893)	24,400
Net cash provided by (used in) operating activities	<u>(305)</u>	<u>50,851</u>
Investing activities		
Purchase of fixed assets	<u>(62,605)</u>	<u>(40,143)</u>
Net cash used in investing activities	<u>(62,605)</u>	<u>(40,143)</u>
Increase (decrease) in cash and cash equivalents	(62,910)	10,708
Cash and cash equivalents, beginning of year	<u>1,785,094</u>	<u>1,774,386</u>
Cash and cash equivalents, end of year	<u>1,722,184</u>	<u>1,785,094</u>

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

Endeavour Community Sailing

Notes to the Financial Statements

August 31, 2019

1. *The purpose of the organisation*

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 Organisations 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, trade and other receivables and accounts payable and accrued liabilities.

i) **Cash and cash equivalents**

At August 31, 2019, Endeavour held cash and cash equivalents of \$1,722,184 (2018 - \$1,785,094). 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, 2019

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
Trade and other receivables	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 and sails	3 - 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 year is \$81,800 (2018 - \$20,000) of donated goods and 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 date of the financial statements and the reported amounts of revenue and expenses during the year. 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	2019 Net book value
	\$	\$	\$
Docks	75,000	16,250	58,750
Boats and sails	277,536	120,675	156,861
Vehicles	87,710	39,951	47,759
Computers, website and equipment	59,861	38,216	21,645
Operations bases	115,572	34,607	80,965
Total	615,679	249,699	365,980

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August 31, 2019

Description	Cost \$	Accumulated depreciation \$	2018 Net book value \$
Docks	75,000	8,750	66,250
Boats and sails	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

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*

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

Endeavour Community Sailing

Notes to the Financial Statements

August 31, 2019

8. *Subsequent Event*

On September 18, 2019, Endeavour was impacted by the passing of Hurricane Humberto. Several items of fixed assets, particularly docks at the West Fort were damaged and will require significant repairs in 2020.

Management has evaluated and disclosed all material subsequent events up to January 13, 2020 which is the date the financial statements were made available to be issued.