

Financial Statements of

760 Rye Street Inc.

For the year ended March 31, 2024

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Balance Sheet	3
Statement of Income and Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8

Independent Auditor's Report

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, 2024, 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, 2024, 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.

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:

Independent Auditor's Report — continued

- ◆ 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.

Inclusive Accounting Professional Corporation - Kawartha

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario

Peterborough, Ontario

May 6, 2024

760 Rye Street Inc.
Balance Sheet

As at March 31	2024	2023
Assets		
Current assets		
Bank	\$ 50,897	\$ 49,009
Accounts receivable	496	496
Advances to related party (note 3)	456,000	456,000
	507,393	505,505
Capital assets (note 4)	889,290	919,224
	\$ 1,396,683	\$ 1,424,729

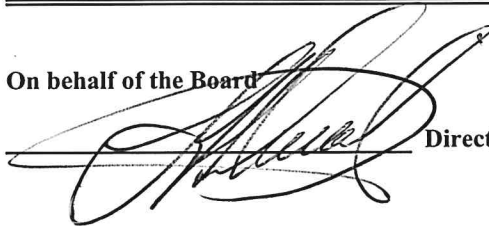
Liabilities

Current liabilities		
Accounts payable and accrued liabilities	\$ 16,000	\$ 22,600
Income taxes payable	4,715	3,902
Current portion of long-term debt (note 5)	36,418	33,795
	57,133	60,297
Long-term debt (note 5)	964,347	1,000,755
	1,021,480	1,061,052

Shareholder's equity

Share capital		
Authorized:		
Unlimited number of common shares		
Issued:		
100 common shares	1	1
Retained earnings	375,202	363,676
	375,203	363,677
	\$ 1,396,683	\$ 1,424,729

On behalf of the Board

 Director

760 Rye Street Inc.
Statement of Income and Retained Earnings

For the year ended March 31	2024	2023
Revenue		
Rent	\$ 168,000	\$ 144,000
Interest income	958	409
	<u>168,958</u>	<u>144,409</u>
Expenses		
Amortization	29,934	31,182
Interest and bank charges	629	418
Interest on long-term debt	76,455	46,150
Professional fees	4,000	4,000
Property taxes	42,259	42,006
Repairs and maintenance	-	5,957
	<u>153,277</u>	<u>129,713</u>
Income before income taxes	15,681	14,696
Income taxes	4,155	3,499
Net income for the year	11,526	11,197
Retained earnings, beginning of year	363,676	352,479
Retained earnings, end of year	\$ 375,202	\$ 363,676

760 Rye Street Inc.
Statement of Cash Flows

For the year ended March 31	2024	2023
Cash provided from (used for)		
Operating activities		
Net income	\$ 11,526	\$ 11,197
Item not involving cash		
Amortization	29,934	31,182
	<u>41,460</u>	<u>42,379</u>
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(6,600)	14,600
Income taxes	813	811
	<u>(5,787)</u>	<u>15,411</u>
Cash flows from operating activities	<u>35,673</u>	<u>57,790</u>
Financing activity		
Repayment of long-term debt	<u>(33,785)</u>	<u>(43,619)</u>
Net increase in cash position	1,888	14,171
Cash position, beginning of year	<u>49,009</u>	<u>34,838</u>
Cash position, end of year	<u>\$ 50,897</u>	<u>\$ 49,009</u>

760 Rye Street Inc.
Notes to Financial Statements
For the year ended March 31, 2024

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. Summary of significant accounting policies

The Company applies the Canadian accounting standards for private enterprises.

(a) *Revenue recognition*

The Company records rental income for the full term of each lease on a straight-line basis. Accordingly, a deferred rent receivable is recorded for the difference between the straight-line rent and the rent that is received from the tenant. The deferred rent receivable is included in deferred charges. All other revenues are recorded when amounts are known and collectible.

(b) *Capital assets*

Capital assets are recorded at cost. The Company provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. Amortization on the building is provided on a straight line basis over 30 years.

(c) *Future income taxes*

Future income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(d) *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) *Financial instruments*

The Company's financial instruments consist of cash, accounts receivable, accrued interest receivable, due from related parties, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted it is management's opinion that the Company is not exposed to significant interest, currency or credit risks.

760 Rye Street Inc.
Notes to Financial Statements
For the year ended March 31, 2024

3. Related party transactions

Rental income of \$168,000 (2023 - \$144,000) was received from Quickmill Inc., a company under common control, which has leased the land and building.

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

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties

4. Capital assets

	2024		2023	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 171,114	\$ -	\$ 171,114	\$ -
Buildings	1,286,362	568,186	1,286,362	538,252
	<u>\$ 1,457,476</u>	<u>\$ 568,186</u>	<u>\$ 1,457,476</u>	<u>\$ 538,252</u>
Net book value		<u>\$ 889,290</u>		<u>\$ 919,224</u>

5. Long-term debt

	2024	2023
Royal Bank of Canada loan payable, interest at 7.5%, repayable in monthly instalments of \$9,187 including principal and interest, due March 2025, secured by real estate located at 760 Rye Street, Peterborough, Ontario.	\$ 1,000,765	\$ 1,034,550
Less: current portion	<u>36,418</u>	<u>33,795</u>
	<u>\$ 964,347</u>	<u>\$ 1,000,755</u>

760 Rye Street Inc.
Notes to Financial Statements
For the year ended March 31, 2024

5. Long-term debt — continued

Minimum principal repayments over the next five years, assuming the loan is renewed at current terms are as follows:

2025	\$ 36,418
2026	39,245
2027	42,293
2028	45,575
2029	49,114

The loan is secured by a first collateral mortgage over the land and building at 760 Rye Street, 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.

6. 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 financial instruments.

Liquidity risk

The Company does have a liquidity risk in the accounts payable and accrued liabilities of \$16,000 (2023 - \$22,600). 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; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

Credit risk

The Company does have credit risk in accounts receivable of \$496 (2023 - \$496). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Company maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Company is low and is not material.

Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Company is a going concern and thus expects to fully repay the outstanding amounts.
