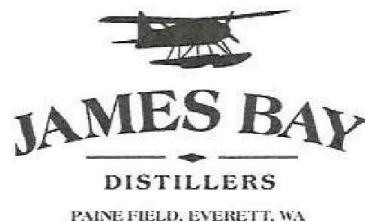


**Management Report: 2021**

**James Bay Distillers, Ltd.**

**For the period ended  
December 31, 2021**



**Contents:**

- Profit & Loss Statement
- Balance Sheet
- Statement of Cash Flows
- Notes on Financial Statements

April 2022.

For WeFunder Investor Use Only. Prepared Using GAAP standards.

# Income Statement (Profit and Loss)

James Bay Distillers, Ltd.

For the year ended December 31, 2021

2021

## Income

40000 - Sales	131,404.38
42000 - Sales Tax Collected	(4,313.77)
<b>Total Income</b>	<b>127,090.61</b>

## Cost of Goods Sold

50100 - Bottled Spirit COGS	6,640.21
50200 - Bottling Supplies COGS	23,080.38
50000 - Cost of Goods Sold	2,813.18
<b>Total Cost of Goods Sold</b>	<b>32,533.77</b>

## Gross Profit

94,556.84

## Operating Expenses

### Payroll Expenses

63140 - Officer Salary	41,040.00
63700 - Employee Benefits (Dental)	915.40
63320 - FICA Taxes	3,282.40
63310 - FUTA Taxes	756.00
<b>Total Payroll Expenses</b>	<b>45,993.80</b>

### Professional Services

67200 - Professional Services	18,798.00
<b>Total Professional Services</b>	<b>18,798.00</b>

### Depreciation and Amortization

65005 - Amortization Expense	665.37
65000 - Depreciation expense	232.84
<b>Total Depreciation and Amortization</b>	<b>898.21</b>

### Building and Utilities

64300 - Rent & Lease	42,092.61
65410 - Internet and Cable	2,850.17
65450 - Gas & Electricity	1,985.94
65530 - Telephone	1,172.64
<b>Total Building and Utilities</b>	<b>48,101.36</b>

### Other Expenses

60020 - Advertising & Marketing	16,465.71
66050 - Bank Charges & Fees	407.95
64200 - Distillery Decor & Fixtures <\$1,500	80.13
60150 - Distribution Costs	120.00

2021

60180 - Dues & Subscriptions	2,692.41
60300 - Freight & Shipping- Outbound	3,411.13
66340 - Insurance - Business & Liability	2,497.00
63350 - Labor & Industries	546.79
60540 - Licenses & Permits	25.88
67000 - Office Expenses	804.46
67100 - Office Supplies & Software	1,729.39
85000 - Other Expense Items	24.94
60940 - Other Misc. Travel Expense	60.07
63600 - Payroll Administrator Expense	6,444.92
67190 - Postage & Mail Expenses	1,762.48
60420 - Small Tool/Equip/Fixtures <\$2,500	6,952.60
60580 - State & Local Excise Taxes	9,145.87
60450 - Tasting Room Supplies	347.55
60500 - Taxes & Licenses	1,186.80
<b>Total Other Expenses</b>	<b>54,706.08</b>
<b>Total Operating Expenses</b>	<b>168,497.45</b>
<b>Operating Income</b>	<b>(73,940.61)</b>
<b>Other Income / (Expense)</b>	
81900 - Interest Income	2.77
80000 - Other Income Items	27,500.00
<b>Total Other Income / (Expense)</b>	<b>27,502.77</b>
<b>Net Income</b>	<b>(46,437.84)</b>

# Balance Sheet

James Bay Distillers, Ltd.  
As of December 31, 2021

DEC 31, 2021

## Assets

### Current Assets

#### Cash and Cash Equivalents

BECU Checking - 3001	19,779.98
BECU Checking - 3051 (Payroll)	103.43
WA Trust-0387	7,627.07
WA Trust-7337	529.55
PNC Checking - 3839	1,292.75
Cash on hand	110.00
<b>Total Cash and Cash Equivalents</b>	<b>29,442.78</b>

#### Inventory

Bulk/barreled Spirit	40,948.61
Bottled Spirit	5,964.58
Supplies	26,485.58
Retail Items Inventory (Non-Spirits)	2,621.89
WIP (Work in Process)	506.29
<b>Total Inventory</b>	<b>76,526.95</b>

**Total Current Assets** 105,969.73

### Fixed Assets

Distillation & Distillery Equipment	106,890.49
Leasehold Improvements	56,826.74
Accumulated Depreciation	(155,240.84)
Patents and Trademarks	11,849.02
Accumulated Amortization	(1,240.37)
<b>Total Fixed Assets</b>	<b>19,085.04</b>

**Total Assets** 125,054.77

## Liabilities and Equity

### Equity

Additional Paid in Capital	806,559.40
Retained Earnings	(681,504.63)
<b>Total Equity</b>	<b>125,054.77</b>

**Total Liabilities and Equity** 125,054.77

# Statement of Cash Flows

James Bay Distillers, Ltd.

For the year ended December 31, 2021

2021

## Operating Activities

Receipts from customers	127,090.61
Payments to suppliers and employees	(200,133.01)
Cash receipts from other operating activities	27,502.77
Cash payments from other operating activities	(898.21)
<b>Net Cash Flows from Operating Activities</b>	<b>(46,437.84)</b>

## Investing Activities

Proceeds from sale of property, plant and equipment	20,926.37
Payment for property, plant and equipment	(22,487.16)
Other cash items from investing activities	(48,714.48)
<b>Net Cash Flows from Investing Activities</b>	<b>(50,275.27)</b>

## Financing Activities

Other cash items from financing activities	69,093.56
<b>Net Cash Flows from Financing Activities</b>	<b>69,093.56</b>

<b>Net Cash Flows</b>	<b>(27,619.55)</b>
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## Cash and Cash Equivalents

Cash and cash equivalents at beginning of period	57,062.33
Net cash flows	(27,619.55)
Cash and cash equivalents at end of period	29,442.78
<b>Net change in cash for period</b>	<b>(27,619.55)</b>



## Notes to Financial Statements 2021

### Summary of Significant Accounting Policies

#### *The Company*

James Bay Distillers, Ltd. (the “Company”) was incorporated in the State of Virginia in February 2014. The Company distills and produces whiskies and gins from its manufacturing site in Everett, WA. The Company registered in Washington State in 2017. The company is registered also in British Columbia, Canada (since 2016) which provides BC permission for the US company to act in BC. There is no separate company in Canada.

The Company started and continues with the mission to produce super-premium, top-shelf competitive whiskies, gins and a finocchietto. The company does not produce discount products.

Of the current products, we have earned notable gold-, double-gold and numbered ratings for our spirits, many rated above 90-points. The release of our spirits are reported through BevNet.com and at our social media on Facebook, Instagram and Twitter. Our finocchietto is one of only 2 made in the U.S., and features an original Italian recipe (and a double-gold medal from the Best of the Northwest competition by Sip Northwest).

#### *Going Concern*

Since Inception, the Company has relied on funds from owners and investors as well as revenue to fund its operations. As of the close of this period the Company increased the number of bottles sold during FY 2020 by 121% and added a range of tastings and cocktails to the list of available retail products. The company also added barrel sales to its list of available wholesale activities and sold several bourbon whiskey barrels to a cask-reseller based in the United Kingdom and Thailand. Nonetheless, the company incurred a loss due to several factors: the capital-intensive nature of distilling, lack of public events and festivals at which to present and sell products, the lingering effects of the unanticipated worldwide pandemic, a consumer shift to purchase “two cheap products” rather than one quality product during the pandemic, increasing cost of inputs for COGS and also general uncertainty about the US economy. These matters may raise concern about the Company’s ability to continue as a going concern, and are a common challenge in the craft distilling industry. The Company’s ability to continue as a going concern is dependent on the Company’s ability to raise short-term capital, to increase sales through expanded distribution as well as the Company’s ability to achieve additional domestic and export clients. The Company has refined its manufacturing process leading to improved scales of economy and reduction in manufacturing time per product. Expanded sales and production contracts are in place for early 2022 to continue the company’s growth, including two private label gins.

### ***Equity Statement***

The fully-paid in Capital at December 31, 2021 is shown in the included financials.

### ***Fiscal Year***

The Company operates on a December 31st year-end.

### ***Basis of Presentation***

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP). Fixed assets are maintained on a tax basis. These statements are prepared using software and data input and review from the Seattle-based CPA firm of Hagen, Kurth, Perman & Co., P.S. ("HKP"). In December 2021 we terminated the services of both Moss Adams CPAs and Paychex. We then engaged HKP, which allows us to cut costs and obtain an improved quality of service.

### ***Cash Equivalents***

The Company considers all highly liquid financial instruments purchased with maturities of three months or less to be cash equivalents.

### ***Risks and Uncertainties***

The Company has had a manufacturing history since 2019. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include the following: recession, inflation, changes in currency exchange rates, economic downturn or otherwise, local competition or changes in consumer taste to include an increased interest in non-alcoholic products. These adverse conditions could affect the Company's financial condition and the results of its operations.

### ***Accounts Receivable***

Trade receivables from customers are uncollateralized customer obligations due under normal trade terms, primarily requiring payment before services are rendered. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoice.

### ***Factoring Agreements***

During the period of this report, the Company has investigated accounts receivable factoring agreements for export sales with Export Import Bank in anticipation of export sales. There have been no factoring transactions to date.

### ***Inventory***

Inventories are stated at cost.

### ***Advertising Expenses***

The Company expenses advertising costs as they are incurred.

### ***Intangible Assets***

In accordance with FASB ASC 720, organizational costs, including accounting fees, legal fee, and costs of incorporation, are expensed as incurred.

### ***Use of Estimates***

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at fiscal year-end. Actual results could differ from those estimates.

### ***Fair Value***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date.

Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

#### **Level 1**

- Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

#### **Level 2**

- Include other inputs that are directly or indirectly observable in the marketplace.



### **Level 3**

- Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. Fair values were assumed to approximate carrying values because of their short term in nature or they are payable on demand.

### ***Concentrations of Credit Risk***

From time-to-time cash balances, held at a major financial institution may exceed federally insured limits of \$250,000. Management believes that the financial institutions used by the company are financially sound and the risk of loss is low. There is not now any balance at a financial institution which exceeds the federally insured limits.

### ***Income Taxes***

The Company is a C Corporation for federal income tax purposes. Income taxes are calculated by the accounting firm Hagen, Kurth, Perman & Co. P.S. of Seattle, and are reviewed by the Company prior to annual filing.

### ***Federal Capital Gains Taxes***

The Company is compliant with IRS Tax Code Section 1202 and barring any unforeseen events or changes in IRS rulings, and assuming that all shareholders will have met the standards of the 1202 shares sale tests at the time of exit or acquisition, the sale of shares will be free of capital gains taxes for shareholders.

### ***Revenue Recognition***

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee for the arrangement is fixed or determinable and collectability is reasonably assured. Revenue for the period of the report is in the relevant tables and financial statements, attached.

### ***Commitments and Contingencies***

The Company is not currently involved with and does not know of any pending or threatening litigation against the Company or its members.

### ***Convertible Notes***

The Company has not issued any promissory notes.

### ***Equity: Common Stock***

The Company has authorized 65,000 shares of its common stock with a sale value of \$50.00/each. There is no other class of shares. See Financial Statements for Equity values.

### ***Line of Credit and Debt***

The Company does not maintain a line of credit. The company has no debt.

### ***Note Payable – Related Party***

There are no notes payable, whether related party or not. The company has held a lease arrangement with Paine Field/Snohomish County since January 2018. That lease will continue until 2023 at which time we expect to renew our lease.

### ***Subsequent Events***

The Company has evaluated events through the period of this report, the date through which the financial statement was available to be issued. It has been determined that no events require additional disclosure. The above statements and text in this document include forward-looking statements which cannot be guaranteed.

### ***Investment Notice***

All Content is proprietary and confidential. No company shares or ownership offer, sale or solicitations of interest are made pursuant to this document. Investor offers, sales and solicitations of interest are only made through the company's subscription agreement and compliance with Reg D 506(b).

***End of Notes.***