



Financial Statements

The Canadian Canoe Museum

December 31, 2019

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Independent Auditor's Report

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To the Members of
The Canadian Canoe Museum

Opinion

We have audited the financial statements of The Canadian Canoe Museum (the "Museum"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and fund balances and statement of 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 Museum as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Museum 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 not-for-profit organizations, 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 Museum'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 Museum or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Museum'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 Museum'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 Museum'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 Museum 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

Chartered Professional Accountants

Peterborough, Canada
March 26, 2020

The Canadian Canoe Museum

Statement of Financial Position

December 31	Operating Fund	Capital Asset Fund	New Museum Fund	Total 2019	Total 2018
Assets					
Current					
Cash	\$ 276,645	\$ -	\$ 1,175,260	\$ 1,451,905	\$ 4,374,696
Interfund loans	50,104	-	(50,104)	-	-
Investments (Note 4)	284,318	-	2,113,992	2,398,310	279,821
Accounts receivable	30,545	-	77,349	107,894	107,190
Grants receivable	-	-	-	-	56,388
Inventory	58,769	-	-	58,769	64,204
Prepaid expenses	7,064	-	-	7,064	9,871
	<u>707,445</u>	<u>-</u>	<u>3,316,497</u>	<u>4,023,942</u>	<u>4,892,170</u>
Capital assets (Note 5)	-	2,251,709	6,466,215	8,717,924	7,489,683
Artifacts	-	1,295,201	-	1,295,201	1,289,006
	<u>\$ 707,445</u>	<u>\$ 3,546,910</u>	<u>\$ 9,782,712</u>	<u>\$ 14,037,067</u>	<u>\$ 13,670,859</u>
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 6)	\$ 90,755	\$ -	\$ 578,862	\$ 669,617	\$ 1,160,421
Deferred revenue (Note 7)	41,934	-	1,123,000	1,164,934	3,104,113
Promissory note payable	-	-	-	-	500,000
	<u>132,689</u>	<u>-</u>	<u>1,701,862</u>	<u>1,834,551</u>	<u>4,764,534</u>
Fund balances					
Unrestricted	-	-	1,614,635	1,614,635	471,997
Internally restricted	574,756	-	-	574,756	555,404
Invested in capital assets	-	3,546,910	6,466,215	10,013,125	7,878,924
	<u>574,756</u>	<u>3,546,910</u>	<u>8,080,850</u>	<u>12,202,516</u>	<u>8,906,325</u>
	<u>\$ 707,445</u>	<u>\$ 3,546,910</u>	<u>\$ 9,782,712</u>	<u>\$ 14,037,067</u>	<u>\$ 13,670,859</u>

See accompanying notes to the financial statements.

The Canadian Canoe Museum Statement of Operations and Fund Balances

Year ended December 31	Operating Fund	Capital Asset Fund	New Museum Fund	Total 2019	Total 2018
Revenues					
Donations and fundraising	\$ 433,791	\$ 6,195	\$ 3,288,027	\$ 3,728,013	\$ 1,268,102
Grants (Note 8)	190,506	29,700	1,313,696	1,533,902	2,833,109
Course revenue	152,399	-	-	152,399	164,429
Retail sales	137,638	-	-	137,638	172,291
Admissions	95,286	-	-	95,286	98,266
Rental and event income	67,998	-	-	67,998	67,012
Investment income	4,497	-	41,733	46,230	27,289
Membership	41,312	-	-	41,312	36,072
	<u>1,123,427</u>	<u>35,895</u>	<u>4,643,456</u>	<u>5,802,778</u>	<u>4,666,570</u>
Expenditures					
Wages and contract staff (Note 9)	620,997	-	582,455	1,203,452	1,138,772
Fundraising	28,086	-	451,737	479,823	569,847
Operating and administration	192,212	-	259,493	451,705	320,243
Retail cost of sales	134,058	-	-	134,058	126,237
Facilities	119,346	-	-	119,346	138,639
Amortization	-	118,203	-	118,203	118,472
	<u>1,094,699</u>	<u>118,203</u>	<u>1,293,685</u>	<u>2,506,587</u>	<u>2,412,210</u>
Excess of revenues over expenditures (expenditures over revenues) for the year	28,728	(82,308)	3,349,771	3,296,191	2,254,360
Fund balance, beginning of year	555,400	3,619,846	4,731,079	8,906,325	6,651,965
Interfund transfers (Note 10)	(9,372)	9,372	-	-	-
Fund balance, end of year	<u>\$ 574,756</u>	<u>\$ 3,546,910</u>	<u>\$ 8,080,850</u>	<u>\$ 12,202,516</u>	<u>\$ 8,906,325</u>

See accompanying notes to the financial statements.

The Canadian Canoe Museum

Statement of Cash Flows

Year ended December 31	Operating Fund	Capital Asset Fund	New Museum Fund	Total 2019	Total 2018
Increase (decrease) in cash					
Operating					
Excess of revenues over expenditures (expenditures over revenues) for the year	\$ 28,728	\$ (82,308)	\$ 3,349,771	\$ 3,296,191	\$ 2,254,360
Item not affecting cash					
Amortization	-	118,203	-	118,203	118,472
Gifts-in-kind	-	(6,195)	-	(6,195)	(37,060)
	<u>28,728</u>	<u>29,700</u>	<u>3,349,771</u>	<u>3,408,199</u>	<u>2,335,772</u>
Change in non-cash working capital items					
Accounts receivable	(8,030)	-	7,326	(704)	(34,057)
Grants receivable	56,388	-	-	56,388	(56,388)
Inventory	5,434	-	-	5,434	(1,611)
Prepaid expenses	2,329	-	478	2,807	(3,717)
Accounts payable and accrued liabilities	(18,366)	-	(472,440)	(490,806)	(944,647)
Deferred revenue	(24,180)	-	(1,915,000)	(1,939,180)	2,289,439
	<u>42,303</u>	<u>29,700</u>	<u>970,135</u>	<u>1,042,138</u>	<u>3,584,791</u>
Investing					
Purchase of capital assets	-	(39,072)	(1,307,368)	(1,346,440)	(2,647,211)
Purchase of investments	(4,497)	-	(2,113,992)	(2,118,489)	(3,365)
	<u>(4,497)</u>	<u>(39,072)</u>	<u>(3,421,360)</u>	<u>(3,464,929)</u>	<u>(2,650,576)</u>
Financing					
Proceeds from (repayment of) promissory note payable	-	-	(500,000)	(500,000)	500,000
Interfund transfers	(9,372)	9,372	-	-	-
Interfund loan issuance (repayment)	(6,621)	-	6,621	-	-
Repayments on long term debt	-	-	-	-	(5,901)
	<u>(15,993)</u>	<u>9,372</u>	<u>(493,379)</u>	<u>(500,000)</u>	<u>494,099</u>
Increase (decrease) in cash	21,813	-	(2,944,604)	(2,922,791)	1,428,314
Cash, beginning of year	<u>254,832</u>	<u>-</u>	<u>4,119,864</u>	<u>4,374,696</u>	<u>2,946,382</u>
Cash, end of year	<u>\$ 276,645</u>	<u>\$ -</u>	<u>\$ 1,175,260</u>	<u>\$ 1,451,905</u>	<u>\$ 4,374,696</u>

See accompanying notes to the financial statements.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

1. Nature of entity

The Canadian Canoe Museum (the "Museum") is a registered charity serving the people of Canada and visitors from around the world. Its mission is to explore the canoe in its historical and cultural contexts.

The Museum was incorporated without share capital on February 22, 1991 and as such is prohibited from distributing any of its funds to, or for personal benefit of, its members. The Museum is registered as a charitable organization under the Federal and Ontario Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund accounting

The operating fund accounts for the Museum's ongoing operating and administrative activities. This fund reports unrestricted resources and restricted operating grants. The internally restricted fund, which is reported within the operating fund, reports funds which have been restricted for certain uses, as approved by the Board of Directors, and interest earned on the internally restricted fund investments.

The capital asset fund reports the assets, liabilities, revenues and expenditures related to the Museum's capital assets and restricted resources for capital purchases.

The new museum fund reports the assets, liabilities, revenues and expenditures related to the new museum development project.

Investments

Investments which mature within twelve months of the fiscal year end are classified as short-term. The remainder of the investments are classified as long term.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Museum provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	10 to 40 years
Exhibit costs	10 years
Equipment and exhibit studio	10 years
Computer equipment	5 years
Vehicles	5 years

Artifacts

The Museum currently holds more than 600 canoes, kayaks and paddled watercraft. Items purchased for the collection are recorded at cost while contributed items are recorded at fair value. Due to the nature of the artifacts, and the Museum's obligation to preserve these assets in perpetuity, they are not subject to amortization.

The Museum received \$6,195 (2018 - \$37,060) in contributed artifacts during the year.

Revenue and expenditure recognition

Revenues and expenditures are recorded on the accrual basis. The Museum follows the restricted method of accounting for contributions. Restricted donations and grants are recognized as revenue when received, or in the year in which related expenditures are incurred if the contribution agreement stipulates repayment if certain expenditures are not incurred. Unrestricted donations are recognized as revenue when received. Other operating revenues are recognized when received or receivable if the product has been provided or the service has been rendered, the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Pledges are not recognized as revenue.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

Volunteer services

Some members of the Museum have donated significant amounts of time in furthering the Museum's programs and objectives. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

Management reviews the carrying value of items in the financial statements at each reporting date to assess the need for revisions or any possibility of impairment. Management determines estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are reviewed periodically and adjustments are made to revenues and expenditures, as appropriate, in the year they become known. The most significant items that involve the use of estimates are inventory valuation and the useful life of capital assets.

Financial instruments

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

- cash
- investments
- accounts receivable
- accounts payable

A financial asset or liability is recognized when the Museum becomes a party to contractual provision of the instrument.

The Museum initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and investments, which are measured at fair value.

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

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets or liabilities obtained in related party transactions are measured at the exchange amount.

Financial assets measured at 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 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. Financial instruments risks

The Museum is exposed to various risks associated with its financial instruments as described below. Unless otherwise noted, there has been no change in risk exposure from the prior year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Museum is exposed to credit risk on the accounts receivable from its customers. The maximum exposure to credit risk is the carrying value of accounts receivable. The allowance for doubtful accounts is \$Nil (2018 - \$Nil).

(b) Liquidity risk

Liquidity risk is the risk that the Museum will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Museum's cash requirements. Additional cash requirements are met with the use of transfers from the Museum's internally restricted fund balance provided for working capital.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

4. Investments

Investments consist of the following:

	<u>2019</u>	<u>2018</u>
Guaranteed investment certificates with interest rates of 2.05% - 2.08% maturing September 8, 2020, accrued interest of \$13,992	\$ 2,113,992	\$ -
Investment savings mutual funds	<u>284,318</u>	<u>279,821</u>
	<u>\$ 2,398,310</u>	<u>\$ 279,821</u>

5. Capital assets

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 898,567	\$ -	\$ 898,567	\$ -
Buildings	2,722,954	1,521,632	2,722,953	1,444,667
Equipment	310,217	225,944	276,116	213,270
Museum exhibits	2,214,572	2,184,726	2,214,571	2,177,267
Vehicles	45,668	30,822	45,668	21,688
Computer equipment	91,209	72,110	86,237	62,266
Exhibit studio	21,746	17,990	21,746	15,864
New museum development costs	<u>6,466,215</u>	<u>-</u>	<u>5,158,847</u>	<u>-</u>
	<u>12,771,148</u>	<u>4,053,224</u>	<u>11,424,705</u>	<u>3,935,022</u>
Net book value	<u>\$ 8,717,924</u>		<u>\$ 7,489,683</u>	

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

6. Government remittances

Included in accounts payable and accrued liabilities are government remittances of \$Nil (2018 - \$6,078).

7. Deferred revenue

The Museum has received certain grants and donations with the stipulation that these funds be used for specific purposes. Recognition of these grants and donations as revenue is deferred until the actual expenditures against these grants and donations has occurred. Deferred revenue also includes amounts for memberships and other services to be provided in a future period. The details of the deferred revenue are summarized as follows:

	Operating Fund	New Museum Fund	2019 Total	2018 Total
Balance - beginning of year	\$ 66,113	\$ 3,038,000	\$ 3,104,113	\$ 814,674
Add: funding received	64,584	85,000	149,584	2,481,120
Less: funding spent	<u>(88,763)</u>	<u>(2,000,000)</u>	<u>(2,088,763)</u>	<u>(191,681)</u>
Balance - end of year	<u>\$ 41,934</u>	<u>\$ 1,123,000</u>	<u>\$ 1,164,934</u>	<u>\$ 3,104,113</u>

8. Grants

Included in grant revenue is government assistance for the new museum development received from the Ministry of Tourism, Culture and Sport in the amount of \$1,313,696 (2018 - \$2,500,000). In the prior year the Museum also received assistance for the new museum development from the Ministry of Canadian Heritage in the amount of \$145,657.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

9. Allocated expenses

The Museum employs individuals that perform work for both general operations and the development of the new museum. Wages and benefits for these individuals are allocated to the operating fund and new museum fund based on a direct proportion of the time spent on the aforementioned activities. The wages and benefits allocated to the new museum fund during the year were \$501,787 (2018 - \$458,385).

10. Interfund transfers

The Board of Directors authorized a transfer of \$9,372 (2018 - \$34,574) from the operating fund to the capital asset fund for capital asset purchases.

Interfund balances are non interest bearing with no set terms of repayment.

11. Commitments and contingencies

- a) The Museum has entered into two architectural services contracts, both with an effective date of January 1, 2017, for the construction of the new Canadian Canoe Museum at the Peterborough Lift Lock at a combined amount of \$4,195,630. Of this amount, \$3,334,875 (2018 - \$3,125,000) has been paid to date for services performed as per the contracts. The contracts may be terminated at any point and the Museum shall only be required to pay for services performed and certain reimbursable expenses to the effective termination date. The Museum's remaining commitment on these contracts is \$860,755.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

11. Commitments and contingencies (continued)

- b) The Museum has entered into a design-build services contract related to the exhibits for the new Canadian Canoe Museum at the Peterborough Lift Lock at a total contract price of \$6,650,000 composed of \$1,358,000 design and supervision fees and \$5,292,000 production costs. Subsequent change orders have increased the total contract to \$7,245,000. Of this amount, \$1,327,491 (2018 - \$687,791) has been paid to date for services performed as per the contract. The contract may be terminated at any point and the Museum shall only be required to pay for services performed and certain reimbursable expenses to the effective termination date. Under the terms of the contract, the Museum is committed to the following payments:

2020	\$ 4,911,529
2021	<u>1,005,980</u>
	<u>\$ 5,917,509</u>

- c) The Museum has entered into a number of consulting services contracts related to the new Museum. The total outstanding commitment as at December 31, 2019 is \$272,863 (2018 - \$806,742). There are no set terms of payment and payments will be made as expenses are incurred.
- d) Due to the activities of the former owner of the Museum's property, a portion of the property is considered contaminated by the Ministry of the Environment and Climate Change. The Ministry has determined that further remediation efforts are required, and the value of the property may be impaired. The amount of the impairment cannot be reasonably estimated and, therefore, no accrual has been made in these statements.
- e) The Museum has entered into a lease agreement to rent the land at the site of the new Museum. The Museum is committed to make payments in the amount of \$100 per year up to and including 2021. When the construction of the new Museum is complete, a new 42 year lease will be put into effect.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2019

13. Subsequent event

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 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.

To help protect the health and safety of the public during the COVID-19 pandemic, effective March 14, 2020, the Museum has temporarily closed access to its facilities, including galleries, store, and all programs and events. A date for re-opening the Museum will be subject to on-going review, but cannot be established at this time.

The Museum has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. 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 Museum for future periods.
