



Financial Statements

The Canadian Canoe Museum

December 31, 2023

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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, 2023, and the statements of operations, changes in fund balances 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 Museum as at December 31, 2023, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 in the financial statements, which describes that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (continued)

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.

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.

Independent Auditor's Report (continued)

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.

Peterborough, Canada
April 17, 2024

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

The Canadian Canoe Museum

Statement of Financial Position

| December 31 | Operating Fund | New Museum Fund | Total 2023 | Total 2022 (Restated) |
|--|----------------------|----------------------|-----------------------|-----------------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 295,160 | \$ 2,068,623 | \$ 2,363,783 | \$ 5,754,341 |
| Interfund loans (Note 5) | 22,388 | (22,388) | - | - |
| Investments (Note 6) | 510,662 | 1,500,000 | 2,010,662 | 4,500,000 |
| Accounts receivable | 21,634 | 676,740 | 698,374 | 602,228 |
| Grants receivable | - | 133,457 | 133,457 | 2,634,976 |
| Inventory | 61,086 | - | 61,086 | 55,010 |
| Prepaid expenses | 10,288 | 172,370 | 182,658 | 320,387 |
| | 921,218 | 4,528,802 | 5,450,020 | 13,866,942 |
| Capital assets (Note 7) | 2,757,966 | - | 2,757,966 | 3,156,791 |
| Capital assets - new museum development costs (Note 8) | 30,384,990 | 6,560,570 | 36,945,560 | 17,980,969 |
| Intangible asset (Note 9) | 45,346 | - | 45,346 | - |
| Artifacts | 1,329,611 | - | 1,329,611 | 1,329,301 |
| | \$ 35,439,131 | \$ 11,089,372 | \$ 46,528,503 | \$ 36,334,003 |

See accompanying notes to the financial statements.

The Canadian Canoe Museum

Statement of Financial Position

| December 31 | Operating Fund | New Museum Fund | Total 2023 | Total 2022 (Restated) |
|--|----------------------|----------------------|----------------------|-----------------------------|
| Liabilities | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | \$ 59,753 | \$ 5,639,216 | \$ 5,698,969 | \$ 3,694,812 |
| Deferred revenue (Note 10) | 532,079 | - | 532,079 | 520,396 |
| Short-term debt (Note 12) | 1,647,843 | 1,000,000 | 2,647,843 | 1,655,508 |
| Current portion of asset retirement obligation (Note 13) | 75,471 | - | 75,471 | 73,991 |
| | <u>2,315,146</u> | <u>6,639,216</u> | <u>8,954,362</u> | <u>5,944,707</u> |
| Asset retirement obligation (Note 13) | <u>1,063,063</u> | <u>-</u> | <u>1,063,063</u> | <u>1,057,805</u> |
| | 3,378,209 | 6,639,216 | 10,017,425 | 7,002,512 |
| Fund balances | | | | |
| Unrestricted | 406,158 | - | 406,158 | 814,058 |
| Internally restricted - invested in capital assets | 31,654,764 | - | 31,654,764 | 19,636,248 |
| Internally restricted - other | - | 821,266 | 821,266 | 610,229 |
| Externally restricted | <u>-</u> | <u>3,628,890</u> | <u>3,628,890</u> | <u>8,270,956</u> |
| | <u>32,060,922</u> | <u>4,450,156</u> | <u>36,511,078</u> | <u>29,331,491</u> |
| | <u>\$ 35,439,131</u> | <u>\$ 11,089,372</u> | <u>\$ 46,528,503</u> | <u>\$ 36,334,003</u> |
| Commitments and contingencies (Note 15) | | | | |

The Canadian Canoe Museum Statement of Changes in Fund Balances

| Year ended December 31 | Operating Fund | Internally Restricted - Invested in Capital Assets | Internally Restricted - Other | Externally Restricted | Total 2023 | Total 2022 |
|---|-------------------|--|-------------------------------|-----------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 730,549 | \$ 19,636,248 | \$ 610,229 | \$ 8,270,956 | \$ 29,247,982 | \$ 13,955,699 |
| Prior period restatement (Note 2) | <u>83,509</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>83,509</u> | <u>40,531</u> |
| Balance, beginning of year - as restated | 814,058 | 19,636,248 | 610,229 | 8,270,956 | 29,331,491 | 13,996,230 |
| Excess (deficiency) of revenues over expenditures | (602,775) | - | - | 7,782,362 | 7,179,587 | 15,335,261 |
| Interfund transfers (Note 5) | <u>194,875</u> | <u>12,018,516</u> | <u>211,037</u> | <u>(12,424,428)</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 406,158</u> | <u>\$ 31,654,764</u> | <u>\$ 821,266</u> | <u>\$ 3,628,890</u> | <u>\$ 36,511,078</u> | <u>\$ 29,331,491</u> |

The Canadian Canoe Museum

Statement of Operations

Year ended December 31

| | Operating Fund | New Museum Fund | Total 2023 | Total 2022 (Restated) |
|--|---------------------|---------------------|---------------------|-----------------------------|
| Revenues | | | | |
| Donations and fundraising | \$ 82,330 | \$ 5,272,169 | \$ 5,354,499 | \$ 4,488,434 |
| Grants | 170,789 | 3,306,718 | 3,477,507 | 11,959,564 |
| Interest income | 225,940 | - | 225,940 | 22,185 |
| Retail sales | 48,931 | - | 48,931 | 102,194 |
| Membership | 8,780 | - | 8,780 | 17,416 |
| Admissions | 2,819 | - | 2,819 | 62,656 |
| Courses | - | - | - | 4,564 |
| Rentals and events | - | - | - | 4,177 |
| | <u>539,589</u> | <u>8,578,887</u> | <u>9,118,476</u> | <u>16,661,190</u> |
| Expenditures | | | | |
| Wages and contract staff (Note 14) | 400,316 | - | 400,316 | 606,474 |
| Exhibition development (Note 14) | - | 241,393 | 241,393 | 189,963 |
| Operating and administration (Note 14) | 94,240 | 419,192 | 513,432 | 250,062 |
| Transitional costs (Note 14) | - | 132,593 | 132,593 | 112,667 |
| Facilities | 129,218 | - | 129,218 | 132,760 |
| Retail cost of sales | 30,112 | - | 30,112 | 57,735 |
| Interest accretion (Note 13) | 25,757 | - | 25,757 | 26,022 |
| Fundraising | 356 | 3,347 | 3,703 | 32,082 |
| Amortization | 76,552 | - | 76,552 | 85,869 |
| | <u>756,551</u> | <u>796,525</u> | <u>1,553,076</u> | <u>1,493,634</u> |
| Excess (deficiency) of revenues over expenditures before the undernoted | (216,962) | 7,782,362 | 7,565,400 | 15,167,556 |
| Other income (expenses) | | | | |
| Impairment of capital assets (Note 7) | (385,813) | - | (385,813) | - |
| Government assistance - COVID-19 | - | - | - | 206,256 |
| Write-off of capital assets no longer in use | - | - | - | (38,551) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(38,551)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (602,775)</u> | <u>\$ 7,782,362</u> | <u>\$ 7,179,587</u> | <u>\$ 15,335,261</u> |

See accompanying notes to the financial statements.

The Canadian Canoe Museum

Statement of Cash Flows

Year ended December 31

| | Operating Fund | New Museum Fund | Total 2023 | Total 2022 (Restated) |
|---|-------------------|--------------------|--------------------|-----------------------------|
| Increase (decrease) in cash | | | | |
| Operating | | | | |
| Excess (deficiency) of revenues over expenditures | \$ (602,775) | \$ 7,782,362 | \$ 7,179,587 | \$ 15,335,261 |
| Items not affecting cash | | | | |
| Amortization | 76,552 | - | 76,552 | 85,869 |
| Gifts-in-kind - capital assets | (310) | (104,622) | (104,932) | (33,300) |
| Interfund transfer for investment income | (211,037) | 211,037 | - | - |
| Impairment of capital assets | 385,813 | - | 385,813 | - |
| Write-off of capital assets | - | - | - | 38,551 |
| Interest accretion | 25,757 | - | 25,757 | 26,022 |
| | <u>(326,000)</u> | <u>7,888,777</u> | <u>7,562,777</u> | <u>15,452,403</u> |
| Change in non-cash working capital items | | | | |
| Accounts receivable | (14,603) | (81,545) | (96,148) | (344,416) |
| Grants receivable | - | 2,501,519 | 2,501,519 | (793,665) |
| Inventory | (6,075) | - | (6,075) | 5,480 |
| Prepaid expenses | (3,188) | 140,917 | 137,729 | (266,835) |
| Accounts payable and accrued liabilities | 19,969 | (4,576,382) | (4,556,413) | (274,532) |
| Deferred revenue | 11,683 | - | 11,683 | 426,636 |
| | <u>(318,214)</u> | <u>5,873,286</u> | <u>5,555,072</u> | <u>14,205,071</u> |
| Investing | | | | |
| Purchase of capital assets | (56,143) | (12,319,806) | (12,375,949) | (10,738,318) |
| Purchase of investments | (1,010,662) | (2,500,000) | (3,510,662) | (4,500,000) |
| Redemption of investments | 500,000 | 5,500,000 | 6,000,000 | 1,249,167 |
| Payments of asset retirement obligation | (19,019) | - | (19,019) | (69,000) |
| | <u>(585,824)</u> | <u>(9,319,806)</u> | <u>(9,905,630)</u> | <u>(14,058,151)</u> |
| Financing | | | | |
| Loan (payments) advances | (40,000) | 1,000,000 | 960,000 | - |
| Interfund loan issuance (repayment) | 529,987 | (529,987) | - | - |
| | <u>489,987</u> | <u>470,013</u> | <u>960,000</u> | <u>-</u> |
| Increase (decrease) in cash | (414,051) | (2,976,507) | (3,390,558) | 146,920 |
| Cash, beginning of year | 709,211 | 5,045,130 | 5,754,341 | 5,607,421 |
| Cash, end of year | \$ 295,160 | \$ 2,068,623 | \$ 2,363,783 | \$ 5,754,341 |

See accompanying notes to the financial statements.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

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. Restated comparative information

The prior year comparative figures have been restated for the following matters.

- (a) During the year, the Museum noted that a purchase of land for its new museum facility completed in fiscal 2021 through a vendor take-back mortgage was not recorded in the financial statements. The land should have been recorded in capital assets, and the vendor take-back mortgage should have been recognized as a liability. The total purchase price and amount of the vendor take-back mortgage was \$1,575,200. Additionally, the interest accruing on the mortgage, totaling \$40,308 as at December 31, 2022, should have been capitalized as part of the construction in progress asset in accordance with the Museum's accounting policies. The impacts of this restatement are recorded within the new museum fund balances.
- (b) During the year, the Museum determined that an asset retirement obligation should have been recorded effective January 1, 2021 in respect of the contamination on the Museum's property caused by activities of the former owner. In prior periods, the Museum recorded amounts spent on remediation activities as an expense when incurred. The impacts of this restatement are recorded within the operating fund balances.

As a result of these corrections, the following adjustments were made retrospectively to the Museum's financial statements for the comparative period.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

2. Restated comparative information (continued)

| | <u>Previously Reported</u> | <u>Adjustment</u> | <u>Restated Amount</u> |
|---|--------------------------------|-------------------|----------------------------|
| <u>Statement of Financial Position</u> | | | |
| Capital assets (b) | \$ 1,941,486 | \$ 1,215,305 | \$ 3,156,791 |
| Capital assets - new museum development costs (a) | 16,365,461 | 1,615,508 | 17,980,969 |
| Short term debt (a) | 40,000 | 1,615,508 | 1,655,508 |
| Current portion of asset retirement obligation (b) | - | 73,991 | 73,991 |
| Asset retirement obligation (b) | - | 1,057,805 | 1,057,805 |
| Operating fund balance, unrestricted, end of year (b) | 730,549 | 83,509 | 814,058 |
| <u>Statement of Changes in Fund Balances - Operating Fund</u> | | | |
| Operating fund, beginning of year (b) | 1,000,754 | 40,531 | 1,041,285 |
| Deficiency of revenues over expenditures (b) | (248,690) | 42,978 | (205,712) |
| Operating fund, end of year (b) | 730,549 | 83,509 | 814,058 |
| <u>Statement of Operations - Operating Fund</u> | | | |
| Facilities (b) | 201,760 | (69,000) | 132,760 |
| Interest accretion (b) | - | 26,022 | 26,022 |
| Deficiency of revenues over expenditures (b) | (248,690) | 42,978 | (205,712) |
| <u>Statement of Cash Flows - Operating Fund</u> | | | |
| Deficiency of revenues over expenditures (b) | (248,690) | 42,978 | (205,712) |
| Interest accretion (b) | - | 26,022 | 26,022 |
| Payments of asset retirement obligation (b) | - | (69,000) | (69,000) |

3. Summary of 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:

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

3. Summary of significant accounting policies (continued)

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Museum, the accounts are maintained in accordance with the principles of fund accounting. The Museum uses the restricted fund method of accounting for its contributions. Under this method, the Museum reports the use of its resources in one of two funds as follows:

- i. The operating fund accounts for the Museum's ongoing operating and administrative activities. This fund reports unrestricted resources and restricted operating grants.
- ii. The new museum fund reports the assets, liabilities, revenues and expenditures related to the new museum development project. Capital assets that are purchased for the new museum are recorded in the new museum fund and are transferred to the operating fund when they are paid for.

Cash

Cash consists of bank balances, petty cash and term deposits with a maturity period of three months or less from the date of acquisition.

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. Net realizable value is the estimated selling price in the ordinary course of business. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable.

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where constructed by the Museum, the cost also includes direct construction or development costs, such as materials and labour. Carrying costs, consisting of interest costs, directly attributable to the acquisition, construction, or development of a capital asset are capitalized to the cost of the asset. Capitalization of carrying costs ceases when the capital asset is substantially complete and ready for productive use.

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, once they are in use. The annual amortization rates are as follows:

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

3. Summary of significant accounting policies (continued)

Capital assets (continued)

| | |
|------------------------------|-------------|
| Buildings | 10-40 years |
| Museum exhibits | 10 years |
| Equipment and exhibit studio | 10 years |
| Computer equipment | 5 years |
| Vehicles | 5 years |

Capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

Intangible assets

The Museum has elected to capitalize website development costs as the costs meet the criteria as an internally generated asset. The capitalized costs are amortized on a straight-line basis over a period of 5 years once the asset comes into use.

An intangible asset subject to amortization is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Museum recognizes an impairment loss on intangible assets subject to amortization when the carrying amount is not recoverable and exceeds its fair value.

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 Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

3. Summary of significant accounting policies (continued)

Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of a tangible long-lived asset that the Museum will be required to settle. The Museum recognizes asset retirement obligations in the period incurred if management can make a reasonable estimate of the obligation. Asset retirement obligations are initially measured at the best estimate of the expenditure required to settle the present obligation at the statement of financial position date. Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the associated long-lived assets. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time, revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate and amounts spent on remediation activities.

Revenue and expenditure recognition

Revenues and expenditures are recorded on an accrual basis. The Museum follows the restricted fund method of accounting for contributions. Contributions include grants, donations and fundraising. Unrestricted contributions and restricted contributions, when there is a separate related restricted fund, are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions for which there is no separate restricted fund are recognized as revenue in the operating fund in the period in which the related expenses are incurred. Other operating revenues are recognized when received or receivable if the product has been provided, the service has been rendered, the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue of the appropriate fund, based on any donor restrictions, in the year in which it is earned.

Pledges are not recognized as revenue.

Contributed materials and services

Contributions of materials are recognized in the financial statements at fair value at the date of contribution when a fair value can be reasonably estimated, when the materials are used in the normal course of operations, and when the materials would otherwise have been purchased. During the year, the Museum received \$104,622 (2022 - \$33,300) in contributed materials and \$310 (2022 - \$Nil) in contributed artifacts.

Some members and supporters of the Museum have donated significant amounts of time in furthering the Museum's programs and objectives. These contributed services are not recognized in the financial statements due to the difficulty in determining the fair value of these services.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

3. Summary of significant accounting policies (continued)

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, the useful life of capital assets and intangible assets and the valuation of asset retirement obligation.

Government assistance

Government assistance received is recorded as other income in the statement of operations when related expenditures are incurred.

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
- short-term debt

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.

The Museum subsequently measures its financial assets and financial liabilities at amortized cost.

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

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.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

4. 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 (2022 - \$Nil).

(b) Liquidity risk

Liquidity risk is the risk that the Museum will not be able to meet its obligations associated with financial liabilities. Although the Museum has currently ceased regular operations as it develops a new museum, it continues to receive funding from grants and contributions to meet its cash requirements. Additional cash requirements are met with the use of investments, credit facility as described in Note 11, and available loans as described in Note 12.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Museum is subject to interest rate risk on its investment with a floating interest rate. Changes in interest rates may cause fluctuations in the value of investments and future cash flows. The Museum's promissory note and mortgage loan bear interest at fixed rates, and thus the Museum is not subject to interest rate risk in respect of these debt facilities.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

5. Interfund loans and transfers

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

Interfund transfers during the year were as follows:

| | <u>Operating</u> | <u>Internally Restricted - Capital</u> | <u>Internally Restricted - Other</u> | <u>Externally Restricted</u> |
|--------------------------------|-------------------|--|--|----------------------------------|
| Capital asset purchases | \$ (56,143) | \$ 12,375,949 | \$ - | \$ (12,319,806) |
| Gifts-in-kind - capital assets | (310) | 104,932 | - | (104,622) |
| Amortization expense | 76,552 | (76,552) | - | - |
| Interest income | (211,037) | - | 211,037 | - |
| Impairment of capital assets | 385,813 | (385,813) | - | - |
| | <u>\$ 194,875</u> | <u>\$ 12,018,516</u> | <u>\$ 211,037</u> | <u>\$ (12,424,428)</u> |

6. Investments

Investments consist of two guaranteed investment certificates, maturing on April 1, 2024 and December 16, 2024. The interest rate on the investment maturing in April 2024 is 4.30% per annum, and the interest rate on the investment maturing in December 2024 is prime (December 31, 2023 - 7.20%) minus 2.00% per annum.

Prior year investments consisted of two guaranteed investment certificates, which matured on January 19, 2023 and October 21, 2023. The interest rate on the investment which matured in January 2023 was 3.85% per annum, and the interest rate on the investment which matured in October 2023 was prime (December 31, 2022 - 6.45%) minus 2.00% per annum.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

7. Capital assets

| | 2023 Cost | 2023 Accumulated Amortization | 2022 Cost (Restated) | 2022 Accumulated Amortization |
|--------------------|----------------------------|--|----------------------------|-------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Land | \$ 2,113,872 | \$ - | \$ 2,113,872 | \$ - |
| Buildings | 2,387,668 | 1,786,235 | 2,722,954 | 1,721,333 |
| Equipment | 65,955 | 42,346 | 65,955 | 35,750 |
| Museum exhibits | 10,300 | 6,695 | 10,300 | 5,665 |
| Vehicles | 45,668 | 45,668 | 45,668 | 45,518 |
| Computer equipment | 109,667 | 94,220 | 96,656 | 90,348 |
| | <u>4,733,130</u> | <u>1,975,164</u> | <u>5,055,405</u> | <u>1,898,614</u> |
| Net book value | | <u>\$ 2,757,966</u> | | <u>\$ 3,156,791</u> |

As described in Note 15 (d), the Museum entered into a conditional agreement on April 20, 2023 to sell its property located at 910 Monaghan Road. The Museum classified the land and building to be sold as part of this conditional agreement as held for sale as at this date. As a result, the Museum measured the land and building at the lower of its carrying amount and fair value less costs to sell, resulting in an impairment loss of \$385,813 being recognized. As the building was classified as held for sale, it was no longer subject to amortization subsequent to April 20, 2023.

The Canadian Canoe Museum

Notes to the Financial Statements

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8. New museum development

New museum development costs consist of land, construction in progress and other assets purchased for future use at the new museum location. No amortization has been recorded on these assets as they are not yet in use. The land on which the new museum is being developed is subject to an option agreement whereby the seller has the right to repurchase under certain conditions under the Museum's control. All but one of these conditions has expired. Management expects the final condition to expire in 2024. Interest of \$32,335 (2022 - \$40,308) was capitalized to construction in progress during the year.

| | <u>2023</u> | <u>2022</u> (Restated) |
|--------------------------|----------------------|---------------------------|
| Land | \$ 1,616,400 | \$ 1,575,200 |
| Construction in progress | 35,159,422 | 16,331,251 |
| Furniture and equipment | <u>169,738</u> | <u>74,518</u> |
| | <u>\$ 36,945,560</u> | <u>\$ 17,980,969</u> |

9. Intangible asset

The Museum is developing a new website which is not yet available for use as of December 31, 2023. The expenditures incurred on the website have been classified as an intangible asset and will be amortized once available for use.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

10. Deferred revenue

Deferred revenue includes amounts for memberships, other services to be provided in a future period and unspent donations and grants to be used for certain aspects of the Museum's operations. The continuity of this funding is summarized as follows:

| | <u>Program Fund</u> | <u>Memberships and other</u> | <u>Total 2023</u> | <u>Total 2022</u> |
|--------------------------------------|-------------------------|----------------------------------|-------------------|-------------------|
| Balance - beginning of year | \$ 500,000 | \$ 20,396 | \$ 520,396 | \$ 93,760 |
| Contributions and funds received | 10,662 | 16,817 | 27,479 | 634,205 |
| Funding spent and revenue recognized | <u>-</u> | <u>(15,796)</u> | <u>(15,796)</u> | <u>(207,569)</u> |
| Balance - end of year | <u>\$ 510,662</u> | <u>\$ 21,417</u> | <u>\$ 532,079</u> | <u>\$ 520,396</u> |

11. Credit facility

The Museum obtained an operating line of credit with Royal Bank of Canada during the year with a credit limit of \$100,000. Advances bear interest at prime (December 31, 2023 - 7.20%) plus 1.19% per annum, are repayable on demand and are secured by a general security agreement. No advances have been made as of December 31, 2023.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

12. Short-term debt

| | <u>2023</u> | <u>2022</u> <u>(Restated)</u> |
|---|---------------------|----------------------------------|
| Mortgage loan, interest at 2% per annum, principal and interest due on maturity (see below), secured by land | \$ 1,647,843 | \$ 1,615,508 |
| Promissory note from an individual up to \$5 million, interest at 6.5% per annum payable quarterly, principal payable in full on or before December 31, 2024, unsecured | 1,000,000 | - |
| Canada Emergency Business Account loan | <u>-</u> | <u>40,000</u> |
| | <u>\$ 2,647,843</u> | <u>\$ 1,655,508</u> |

The mortgage loan matures when the sale of the property located at 910 Monaghan Road is completed, or 60 days following the date on which the agreement of purchase and sale is terminated if the buyer's conditions are not satisfied. As stated in Note 15 (d), this sale is conditional and is to be either finalized or cancelled no later than April 2025.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

13. Asset retirement obligation

The Museum recognized an asset retirement obligation in respect of the contamination on the Museum's property, located at 910 Monaghan Road, caused by activities of the former owner. The details of the asset retirement obligation balance are as follows:

| | <u>2023</u> | <u>2022</u> (Restated) |
|----------------------------|---------------------|---------------------------|
| Balance, beginning of year | \$ 1,131,796 | \$ 1,174,774 |
| Interest accretion expense | 25,757 | 26,022 |
| Remediation payments made | <u>(19,019)</u> | <u>(69,000)</u> |
| Balance, end of year | 1,138,534 | 1,131,796 |
| Less: current portion | <u>(75,471)</u> | <u>(73,991)</u> |
| Long-term obligation | <u>\$ 1,063,063</u> | <u>\$ 1,057,805</u> |

14. Allocated expenses

The Museum employs individuals that perform work that is directly attributable for both general operations and the development of the new museum. Wages and benefits for these individuals are allocated to the operating fund and the 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 \$541,989 (2022 - \$243,780), allocated as \$309,869 (2022 - \$57,557) to operating and administration, \$143,222 (2022 - \$108,062) to exhibition development, and \$88,898 (2022 - \$78,161) to transitional costs. These costs have been allocated to the expenditure line related to the type of work performed rather than to the wages and contract staff, which is consistent with the prior year. Additionally, \$75,600 (2022 - \$Nil) of wages relating directly to construction activities was capitalized to new museum development costs.

The Canadian Canoe Museum

Notes to the Financial Statements

December 31, 2023

15. Commitments and contingencies

- (a) The Museum entered into a contract for the construction of the new museum for an amount of \$27.3 million in the year ended December 31, 2021. During construction, to ensure the new museum was completed as intended, the Museum approved a \$6.4 million increase in the contract's Final Target Cost. This increase to the contract's Final Target Cost represents an amendment to the original contract, without waiving any rights the Museum has under the contract, and at law. The outstanding commitment as at December 31, 2023 is \$2.5 million (2022 - \$12.4 million).
- (b) The Museum has entered into a contract with Ontario Clean Water Agency to perform the remediation activities required to be undertaken on the contaminated property located at 910 Monaghan Road. The contract renews on an annual basis in October. At December 31, 2023, Museum is committed to \$57,200 (2022 - \$55,200) in respect of ongoing remediation activities.
- (c) The Museum has entered into a contract for the purchase of equipment to be used at the new museum for an amount of \$195,960. The outstanding commitment as at December 31, 2023 is \$146,970 (2022 - \$195,960).
- (d) The Museum accepted a conditional offer on the sale of its property located at 910 Monaghan Road. The sale has not been finalized. The sale of the property must be finalized or cancelled no later than April 2025, and management does not expect the termination conditions to occur in that time.
- (e) As disclosed in Note 8, the land on which the new museum is being developed is subject to an option agreement whereby the seller has the right to repurchase under certain conditions. Management does not expect the conditions to occur.

16. Subsequent events

- (a) Subsequent to year-end, the Museum entered into contracts for certain costs relating to the new museum for an amount of \$71,290 plus HST.
 - (b) Subsequent to year end, the Museum approved a \$1.2 million increase in the Final Target Cost of the contract for the construction of the new museum. This increase is in addition to the amount described in Note 15 (a), and represents an amendment to the original contract, without waiving any rights the Museum has under the contract, and at law.
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