

Financial Statements of

THE CANADIAN CANOE MUSEUM

December 31, 2012 and 2011

Table of Contents

	Page Number
INDEPENDENT AUDITORS' REPORT	
FINANCIAL STATEMENTS	
Statements of Financial Position	1
Statements of Operations and Fund Balances	2
Statements of Cash Flows	3
Notes to the Financial Statements	4 - 10



McCULL TURNER LLP
CHARTERED ACCOUNTANTS

362 Queen Street
Peterborough, ON
K9H 3J6

P: 705.743.5020
F: 705.743.5081
E: info@mccollturner.com
www.mccollturner.com

INDEPENDENT AUDITORS' REPORT

To the Members of
The Canadian Canoe Museum

Report on the Financial Statements

We have audited the accompanying financial statements of The Canadian Canoe Museum, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and fund balances and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Museum derives revenues from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Museum and we were not able to determine whether any adjustments might be necessary to revenues from donations and membership and fundraising, excess of revenues over expenditures, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the The Canadian Canoe Museum as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

McCull Turner LLP

Licensed Public Accountants

Peterborough, Ontario
March 15, 2013

THE CANADIAN CANOE MUSEUM

STATEMENTS OF FINANCIAL POSITION

December 31

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2012 Total \$	2011 Total \$
ASSETS					
CURRENT ASSETS					
Cash	3,321	-	-	3,321	61,581
Investments - short-term (note 5)	-	217,746	-	217,746	604,896
Accounts receivable	15,465	-	-	15,465	16,101
Grants receivable	5,253	-	-	5,253	-
Inventory	70,940	-	-	70,940	78,155
Prepaid expenses	4,054	-	-	4,054	9,899
	99,033	217,746	-	316,779	770,632
INVESTMENTS - LONG-TERM (note 5)	-	337,846	-	337,846	-
CAPITAL ASSETS (note 6)	-	-	3,499,797	3,499,797	3,536,480
	99,033	555,592	3,499,797	4,154,422	4,307,112
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (note 7)	22,452	-	-	22,452	22,806
Current portion of loan payable	-	-	12,500	12,500	12,500
Deferred revenue (note 8)	152,432	-	-	152,432	135,421
	174,884	-	12,500	187,384	170,727
LOAN PAYABLE (note 9)	-	-	15,625	15,625	28,125
	174,884	-	28,125	203,009	198,852
FUND BALANCES					
Unrestricted	(75,851)	-	-	(75,851)	7,509
Internally restricted (note 10)	-	555,592	-	555,592	604,895
Invested in capital assets	-	-	3,471,672	3,471,672	3,495,856
	(75,851)	555,592	3,471,672	3,951,413	4,108,260
	99,033	555,592	3,499,797	4,154,422	4,307,112

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM
STATEMENTS OF OPERATIONS AND FUND BALANCES
Years Ended December 31

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2012 Total \$	2011 Total \$
REVENUES					
Admissions	62,011	-	-	62,011	62,108
Donations and membership	63,170	-	-	63,170	55,850
Grants and donations - employment and contract staff	140,267	-	-	140,267	100,314
Grants - other	134,232	-	-	134,232	122,773
Fundraising	157,798	-	-	157,798	233,835
Retail sales - net (note 11)	38,225	-	-	38,225	40,672
Course revenue	111,124	-	-	111,124	113,024
Rental income	32,170	-	-	32,170	45,147
Investment income	-	10,696	-	10,696	6,737
Other	9,072	-	-	9,072	11,029
	748,069	10,696	-	758,765	791,489
EXPENDITURES					
Wages and contract staff	504,853	-	-	504,853	431,637
Building repairs and utilities	102,172	-	-	102,172	95,605
Operating and administrative	109,905	-	-	109,905	104,587
Fundraising	62,646	-	-	62,646	60,415
Insurance	16,427	-	-	16,427	27,281
	796,003	-	-	796,003	719,525
INCOME (LOSS) BEFORE THE UNDERNOTED	(47,934)	10,696	-	(37,238)	71,964
Amortization (note 13)	-	-	119,609	119,609	96,227
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) FOR THE YEAR	(47,934)	10,696	(119,609)	(156,847)	(24,263)
FUND BALANCES - beginning of year	7,509	604,895	3,495,856	4,108,260	4,132,523
INTERFUND TRANSFERS (note 12)	(35,426)	(59,999)	95,425	-	-
FUND BALANCES - end of year	(75,851)	555,592	3,471,672	3,951,413	4,108,260

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM

STATEMENTS OF CASH FLOWS

Years Ended December 31

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2012 \$	2011 \$
CASH PROVIDED FROM (USED FOR)					
OPERATING ACTIVITIES					
Excess of revenues over expenditures (expenditures over revenues for the year)	(47,934)	10,696	(119,609)	(156,847)	(24,263)
Add amortization, an item not requiring an outlay of cash	-	-	119,609	119,609	96,227
	(47,934)	10,696	-	(37,238)	71,964
Changes in non-cash working capital items:					
Accounts receivable	636	-	-	636	(4,751)
Grants receivable	(5,253)	-	-	(5,253)	4,203
Inventory	7,215	-	-	7,215	1,539
Prepaid expenses	5,845	-	-	5,845	(3,133)
Accounts payable and accrued liabilities	(353)	-	-	(353)	52,574
Deferred revenue	17,010	-	-	17,010	52,574
	(22,834)	10,696	-	(12,138)	122,396
FINANCING ACTIVITIES					
Purchase of capital assets	-	-	(82,925)	(82,925)	(121,344)
Interfund transfers	(35,426)	(59,999)	95,425	-	-
	(35,426)	(59,999)	12,500	(82,925)	(121,344)
INVESTING ACTIVITIES					
Net investment redemptions	-	49,303	-	49,303	13,186
Loan payments	-	-	(12,500)	(12,500)	(12,500)
	-	49,303	(12,500)	36,803	686
INCREASE (DECREASE) IN CASH FOR THE YEAR	(58,260)	-	-	(58,260)	1,738
CASH - beginning of year	61,581	-	-	61,581	59,843
CASH - end of year	3,321	-	-	3,321	61,581

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. NATURE OF THE ENTITY

The Canadian Canoe 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 Canadian Canoe Museum was incorporated without share capital on June 27, 1975 and as such is prohibited from distributing any of its funds to, or for personal benefit of, its members. The Canadian Canoe 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

(a) *Basis of accounting*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) *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 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.

(c) *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.

(a) *Inventory*

Inventory is valued at the lesser of cost and net realizable value on a specific item basis.

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building development costs	10 or 40 years
Exhibit costs	10 years
Equipment and exhibit studio	10 years
Computer equipment	5 years

Artifacts are not amortized.

(f) *Revenue and expenditure recognition*

Revenues and expenditures are recorded on the accrual basis. The museum follows the restricted method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if 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.

(g) *Volunteer services*

Some members of the museum have donated significant amounts of time to the museum 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.

(h) *Use of estimates*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amount of revenues and expenditures during the period. Actual results could differ from those estimates. The most significant items that involve the use of estimates are inventory valuation and the useful life of capital assets.

3. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO). These are the organization's first financial statements prepared in accordance with ASNPO and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening ASNPO statement of financial position at January 1, 2011.

The organization issued financial statements for the year ended December 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook – Accounting. The adoption of ASNPO did not result in any adjustments to the previously reported assets, liabilities, fund balances, results of operations and cash flows of the organization.

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Measurement of financial instruments

The organization's financial assets and liabilities are initially measured at fair value and are subsequently measured at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred. The organization's financial assets and liabilities measured at amortized cost includes accounts receivable, grants receivable, accounts payable and accrued liabilities, loan payable, and deferred revenue. The organization's financial assets measured at fair value include cash and investments.

(b) Liquidity risk

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

(c) 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 organization 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 (2011 - nil).

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

5. INVESTMENTS

Investments consist of investment savings mutual funds and Guaranteed Investment Certificates of various corporations maturing at various dates between May 2013 and May 2015 with effective yields ranging from 1.80% to 2.40% per annum. The short-term portion of these investments amounts to \$217,746 (2011 - \$604,896) and the long-term portion amounts to \$337,846 (2011 - nil).

6. CAPITAL ASSETS

The major categories of equipment and leasehold improvements and accumulated amortization are as follows:

	December 31, 2012		December 31, 2011	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	880,000	-	880,000	-
Buildings	1,345,657	495,321	1,320,000	462,000
Building development costs	1,331,765	391,438	1,331,765	324,501
Museum artifacts	694,616	-	694,616	-
Equipment	210,353	151,288	177,551	144,294
Museum exhibits	2,182,374	2,140,354	2,161,330	2,136,304
Computer equipment	31,987	16,880	31,087	10,572
Exhibit studio	21,263	2,937	18,739	937
	6,698,015	3,198,218	6,615,088	3,078,608
Net book value		<u>3,499,797</u>		<u>3,536,480</u>

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

No government remittances are included in accounts payable and accrued liabilities (2011- nil).

8. 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. The details of the deferred revenue are summarized as follows:

	2012	2011
	\$	\$
Operations	107,876	128,386
Feasibility study	30,000	-
Membership	14,556	7,035
	152,432	135,421

9. LOAN PAYABLE

The loan payable consists of a promissory note with the following terms:

	2012	2011
	\$	\$
Interest free, repayable in monthly installments of \$1,042, due on demand, secured by certain museum artifacts	28,125	40,625
Less current portion	(12,500)	(12,500)
Balance - end of year	15,625	28,125

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

10. INTERNALLY RESTRICTED FUNDS

The Board of Directors of the museum has restricted the use of certain investments for the following future anticipated expenditures:

	2012	2011
	\$	\$
Building development	1,352	27,009
Provision of working capital	430,691	450,439
Reduction of loans payable	28,125	40,625
National Canoe Day	4,610	4,100
Wipper Legacy fund	29,312	20,885
Feasibility study	20,000	20,000
Major gifts fund	41,502	41,838
	555,592	604,896

11. RETAIL SALES

The retail sales consists of the following:

	2012	2011
	\$	\$
Revenue	122,932	123,534
Cost of sales		
Inventory - beginning of the year	78,155	82,358
Purchases	62,148	68,388
Inventory - end of year	(67,404)	(78,155)
	72,899	72,591
Gross profit	50,033	50,943
Retail sales expenses	11,808	10,271
Net retail income	38,225	40,672

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

12. INTERFUND TRANSFERS

The Board of Directors authorized the following transfers between funds during the year:

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$
Purchase of capital assets	(10,632)	(72,293)	82,925
Provision of working capital	30,442	(30,442)	-
Loan payments	-	(12,500)	12,500
National Canoe Day	(3,856)	3,856	-
Wipper Legacy fund	(22,024)	22,024	-
Major gifts fund	(29,356)	29,356	-
	(35,426)	(59,999)	95,425

13. CHANGE IN ACCOUNTING ESTIMATE

During the year, the Museum changed its estimate of the useful life of museum development costs incurred subsequent to the major renovation in 2000 from 40 years to 10 years. The effect of this change in the current year is an increase in amortization expense of \$33,600.

14. CONTINGENT LOSS

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. The Ministry's position is that the Museum is responsible for ensuring that the contamination does not migrate off site where it could cause adverse effects. The Ministry has determined that the current treatment program may need to continue for the foreseeable future and that the funds available for the treatment of the contamination from the insolvency and bankruptcy of the former owner are now exhausted. The Ministry has enquired about the museum's ability to support, in full or in part, the facilitation of continued cleanup efforts at the property and the museum has responded that it is not in a position to make a financial contribution thereto. Consequently, if the property is sold, future owners may, depending on the proposed use of the property, be required to fund remediation efforts and, as such, 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.

15. COMPARATIVE FIGURES

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