

Financial Statements of

THE CANADIAN CANOE MUSEUM

December 31, 2014

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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 statement of financial position as at December 31, 2014 and the statements of operations and fund balances and cash flows for the year then ended, 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 audit. We conducted our audit 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 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, 2014, 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.

McCull Turner LLP

Licensed Public Accountants

Peterborough, Ontario
April 10, 2015

THE CANADIAN CANOE MUSEUM

STATEMENT OF FINANCIAL POSITION

December 31, 2014

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2014 Total \$	2013 Total \$
ASSETS					
CURRENT ASSETS					
Cash	144,972	-	-	144,972	81,170
Interfund loans	(144,972)	144,972	-	-	-
Investments - short-term (note 4)	-	318,319	-	318,319	242,597
Accounts receivable	18,452	-	-	18,452	17,360
Grants receivable	6,209	-	-	6,209	7,030
Inventory	56,167	-	-	56,167	81,788
Prepaid expenses	4,535	-	-	4,535	5,329
	85,363	463,291	-	548,654	435,274
INVESTMENTS - LONG-TERM (note 4)	-	-	-	-	168,478
CAPITAL ASSETS (note 5)	-	-	3,385,446	3,385,446	3,397,535
	85,363	463,291	3,385,446	3,934,100	4,001,287
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (note 6)	39,031	-	-	39,031	26,243
Current portion of loan payable	-	-	3,125	3,125	12,500
Deferred revenue (note 7)	91,783	-	-	91,783	124,365
	130,814	-	3,125	133,939	163,108
LOAN PAYABLE (note 8)	-	-	-	-	3,125
	130,814	-	3,125	133,939	166,233
FUND BALANCES					
Unrestricted	(45,451)	-	-	(45,451)	41,951
Internally restricted (note 9)	-	463,291	-	463,291	411,193
Invested in capital assets	-	-	3,382,321	3,382,321	3,381,910
	(45,451)	463,291	3,382,321	3,800,161	3,835,054
	85,363	463,291	3,385,446	3,934,100	4,001,287

See accompanying notes to the financial statements

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THE CANADIAN CANOE MUSEUM
STATEMENT OF OPERATIONS AND FUND BALANCES
Year Ended December 31, 2014

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2014 Total \$	2013 Total \$
REVENUES					
Admissions	59,692	-	-	59,692	64,704
Donations and fundraising	320,711	-	81,400	402,111	270,042
Grants and donations - employment and contract staff	86,142	-	-	86,142	117,070
Grants - other	159,433	-	-	159,433	197,663
Membership	30,949	-	-	30,949	33,899
Retail sales - net (note 10)	28,154	-	-	28,154	52,470
Course revenue	121,035	-	-	121,035	86,022
Rental and event income	48,164	-	-	48,164	45,046
Investment income	-	7,126	-	7,126	9,536
Other	4,425	-	-	4,425	6,547
	858,705	7,126	81,400	947,231	882,999
EXPENDITURES					
Wages and contract staff	560,401	-	-	560,401	556,899
Facilities	114,556	-	-	114,556	130,044
Operating and administrative	162,853	-	-	162,853	167,854
Fundraising	18,408	-	-	18,408	20,640
	856,218	-	-	856,218	875,437
EXCESS OF REVENUES OVER EXPENDITURES BEFORE AMORTIZATION					
	2,487	7,126	81,400	91,013	7,562
Redevelopment revenue (note 11)	56,102	-	-	56,102	90,733
Redevelopment expense (note 11)	(56,642)	-	-	(56,642)	(90,733)
Amortization	-	-	(125,366)	(125,366)	(123,921)
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) FOR THE YEAR					
	1,947	7,126	(43,966)	(34,893)	(116,359)
FUND BALANCES - beginning of year					
	41,951	411,193	3,381,910	3,835,054	3,951,413
INTERFUND TRANSFERS (note 12)					
	(89,349)	44,972	44,377	-	-
FUND BALANCES - end of year					
	(45,451)	463,291	3,382,321	3,800,161	3,835,054

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2014 \$	2013 \$
CASH PROVIDED FROM (USED FOR)					
OPERATING ACTIVITIES					
Excess of revenues over expenditures (expenditures over revenues for the year)	1,947	7,126	(43,966)	(34,893)	(116,359)
Add (deduct) the following items not requiring an outlay of cash:					
Amortization	-	-	125,366	125,366	123,921
Obsolete inventory write-off	18,771	-	-	18,771	-
Purchase of capital assets - gift-in-kind	-	-	(51,400)	(51,400)	-
	20,718	7,126	30,000	57,844	7,562
Changes in non-cash working capital items:					
Accounts receivable	(1,092)	-	-	(1,092)	(1,895)
Grants receivable	821	-	-	821	(1,777)
Inventory	6,850	-	-	6,850	(10,848)
Prepaid expenses	794	-	-	794	(1,275)
Accounts payable and accrued liabilities	12,788	-	-	12,788	3,791
Deferred revenue	(32,582)	-	-	(32,582)	(28,067)
	8,297	7,126	30,000	45,423	(32,509)
FINANCING ACTIVITIES					
Interfund loans	100,000	(100,000)	-	-	-
Loan payments	(12,500)	-	-	(12,500)	(12,500)
	87,500	(100,000)	-	(12,500)	(12,500)
INVESTING ACTIVITIES					
Net investment redemptions	-	92,756	-	92,756	144,517
Purchase of capital assets	(31,877)	-	(30,000)	(61,877)	(21,659)
	(31,877)	92,756	(30,000)	30,879	122,858
INCREASE (DECREASE) IN CASH FOR THE YEAR	63,920	(118)	-	63,802	77,849
CASH - beginning of year	81,052	118	-	81,170	3,321
CASH - end of year	144,972	-	-	144,972	81,170

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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.

(d) *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, 2014

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) *Contributed materials*

Contributed materials consisting of diverse artifacts and archival materials are recorded in the financial statements at fair market value at the time of the contribution.

(h) *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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *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.

(j) *Financial instruments*

Financial instruments are originally measured at fair value. Financial instruments that are quoted in an active market are subsequently recorded at fair value each reporting period with changes in fair value recognized in net income for the year. All other financial instruments are subsequently measured at amortized cost.

Transactions incurred on the recognition of financial instruments that are subsequently measured at fair value are recognized in income in the year incurred. Transaction costs incurred on the recognition of financial instruments that are subsequently measured at amortized cost are recognized over the life of the instrument.

3. FINANCIAL INSTRUMENTS

(a) *Measurement*

Financial instruments included on the statement of financial position consist of cash, investments, accounts receivable, grants receivable, accounts payable and accrued liabilities, and deferred revenue, all of which are measured at fair value.

3. FINANCIAL INSTRUMENTS (continued)

(b) *Risks*

The organization 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.

(i) *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.

(ii) *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 (2013 - \$2,000).

4. INVESTMENTS

Investments consist of investment savings mutual funds and Guaranteed Investment Certificates of various corporations maturing in May 2015 with effective yields of 2.40% per annum. The short-term portion of these investments amounts to \$318,303 (2013 - \$242,597) and the long-term portion amounts to nil (2013 - \$168,478).

THE CANADIAN CANOE MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

5. CAPITAL ASSETS

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

	December 31, 2014		December 31, 2013	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	880,000	-	880,000	-
Buildings	1,345,657	562,604	1,345,657	528,962
Building development costs	1,356,149	527,877	1,348,875	459,230
Museum artifacts	780,382	-	694,616	-
Equipment	218,436	169,368	214,418	160,126
Museum exhibits	2,188,175	2,150,848	2,182,374	2,145,456
Computer equipment	42,406	29,546	31,987	23,277
Exhibit studio	21,746	7,262	21,746	5,087
	6,832,951	3,447,505	6,719,673	3,322,138
Net book value		<u>3,385,446</u>		<u>3,397,535</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of nil (2013 - \$1,202).

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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

	2014	2013
	\$	\$
Balance - beginning of year	124,365	152,432
Add funding received	184,920	314,752
Less funding spent	(217,502)	(342,819)
Balance - end of year	91,783	124,365

The balance is comprised as follows:

	2014	2013
	\$	\$
Operations	71,387	80,153
Membership	20,396	19,945
Redevelopment project	-	24,267
Balance - end of year	91,783	124,365

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

8. LOAN PAYABLE

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

	2014	2013
	\$	\$
Interest free, repayable in monthly installments of \$1,042, due on demand, secured by certain museum artifacts	3,125	15,625
Less current portion	(3,125)	(12,500)
Balance - end of year	-	3,125

9. INTERNALLY RESTRICTED FUNDS

The Board of Directors of the museum has restricted the use of certain cash and investments for the redevelopment project, working capital and other specific items as approved from time to time.

10. RETAIL SALES

The retail sales consists of the following:

	2014	2013
	\$	\$
Revenue	131,197	128,059
Cost of sales and other direct expenses	103,043	75,589
Retail sales - net	28,154	52,470

Cost of sales includes an obsolete inventory write-off in the amount of \$18,771 (2013 - nil).

11. REDEVELOPMENT

Redevelopment relates to the potential relocation of the Museum. Redevelopment revenue reflects the recognition of restricted grants and donations for the redevelopment project.

Redevelopment expense is comprised of:

	2014	2013
	\$	\$
Consulting fees	51,970	81,167
Other	4,672	9,566
	56,642	90,733

12. INTERFUND TRANSFERS

The Board of Directors authorized the following transfers: \$44,377 from the operating fund to the capital asset fund for the purchase of capital assets of \$31,877 and loan payments of \$12,500; and \$44,972 from the operating fund to the internally restricted fund representing a portion of prior year interfund transfers requiring repayment.

13. 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. Although the Ministry has determined that no further remediation efforts are required, 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.

14. COMPARATIVE FIGURES

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