

Financial Statements of

**THE CANADIAN CANOE MUSEUM**

December 31, 2015

**Table of Contents**

	<b>Page Number</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	1
Statement of Operations and Fund Balances	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 12



**McCOLL TURNER** LLP  
CHARTERED ACCOUNTANTS

362 Queen Street  
Peterborough, ON  
K9H 3J6

P: 705.743.5020  
F: 705.743.5081  
E: [info@mccollturner.com](mailto:info@mccollturner.com)  
[www.mccollturner.com](http://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 statement of financial position as at December 31, 2015 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.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian Canoe Museum as at December 31, 2015, 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

March 31, 2016

**THE CANADIAN CANOE MUSEUM**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2015 Total \$	2014 Total \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	358,169	-	-	358,169	144,972
Interfund loans	(158,961)	158,961	-	-	-
Investments (note 4)	-	321,855	-	321,855	318,319
Accounts receivable	22,283	-	-	22,283	18,452
Grants receivable	4,049	-	-	4,049	6,209
Inventory	65,539	-	-	65,539	56,167
Prepaid expenses	6,975	-	-	6,975	4,535
	298,054	480,816	-	778,870	548,654
<b>CAPITAL ASSETS</b> (note 5)	-	-	3,356,336	3,356,336	3,385,446
	298,054	480,816	3,356,336	4,135,206	3,934,100
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities (note 6)	175,838	-	-	175,838	39,031
Current portion of long term debt	-	-	9,814	9,814	3,125
Deferred revenue (note 7)	122,216	-	-	122,216	91,783
	298,054	-	9,814	307,868	133,939
<b>LONG TERM DEBT</b> (note 8)	-	-	15,056	15,056	-
	298,054	-	24,870	322,924	133,939
<b>FUND BALANCES</b>					
Unrestricted	-	-	-	-	(45,451)
Internally restricted (note 9)	-	480,816	-	480,816	463,291
Invested in capital assets	-	-	3,331,466	3,331,466	3,382,321
	-	480,816	3,331,466	3,812,282	3,800,161
	298,054	480,816	3,356,336	4,135,206	3,934,100

See accompanying notes to the financial statements

**THE CANADIAN CANOE MUSEUM**  
**STATEMENT OF OPERATIONS AND FUND BALANCES**  
Year Ended December 31, 2015

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2015 Total \$	2014 Total \$
<b>REVENUES</b>					
Admissions	67,897	-	-	67,897	59,692
Donations and fundraising	596,748	-	31,000	627,748	402,111
Grants and donations - employment and contract staff	72,916	-	-	72,916	86,142
Grants - other	170,257	-	-	170,257	159,433
Membership	34,302	-	-	34,302	30,949
Retail sales - net (note 10)	31,601	-	-	31,601	28,154
Course revenue	128,833	-	-	128,833	121,035
Rental and event income	59,282	-	-	59,282	48,164
Investment income	-	3,536	-	3,536	7,126
Other	7,952	-	-	7,952	4,425
	<u>1,169,788</u>	<u>3,536</u>	<u>31,000</u>	<u>1,204,324</u>	<u>947,231</u>
<b>EXPENDITURES</b>					
Wages and contract staff	657,301	-	-	657,301	560,401
Facilities	142,920	-	-	142,920	114,556
Operating and administrative	225,532	-	-	225,532	162,853
Fundraising	37,246	-	-	37,246	18,408
	<u>1,062,999</u>	<u>-</u>	<u>-</u>	<u>1,062,999</u>	<u>856,218</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE AMORTIZATION</b>					
	106,789	3,536	31,000	141,325	91,013
Redevelopment revenue (note 11)	204,994	-	-	204,994	56,102
Redevelopment expense (note 11)	(204,994)	-	-	(204,994)	(56,642)
Amortization	-	-	(129,204)	(129,204)	(125,366)
	<u>106,789</u>	<u>3,536</u>	<u>(98,204)</u>	<u>12,121</u>	<u>(34,893)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) FOR THE YEAR</b>					
	106,789	3,536	(98,204)	12,121	(34,893)
<b>FUND BALANCES - beginning of year</b>	(45,451)	463,291	3,382,321	3,800,161	3,835,054
<b>INTERFUND TRANSFERS (note 12)</b>	(61,338)	13,989	47,349	-	-
	<u>-</u>	<u>480,816</u>	<u>3,331,466</u>	<u>3,812,282</u>	<u>3,800,161</u>

See accompanying notes to the financial statements

# THE CANADIAN CANOE MUSEUM

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Operating Fund \$	Internally Restricted Fund \$	Capital Asset Fund \$	2015 \$	2014 \$
<b>CASH PROVIDED FROM (USED FOR)</b>					
<b>OPERATING ACTIVITIES</b>					
Excess of revenues over expenditures (expenditures over revenues for the year)	106,789	3,536	(98,204)	12,121	(34,893)
Add (deduct) the following items not requiring an outlay of cash:					
Amortization	-	-	129,204	129,204	125,366
Obsolete inventory write-off	-	-	-	-	18,771
Gift-in-kind	-	-	(31,000)	(31,000)	(51,400)
	106,789	3,536	-	110,325	57,844
Changes in non-cash working capital items:					
Accounts receivable	(3,831)	-	-	(3,831)	(1,092)
Grants receivable	2,160	-	-	2,160	821
Inventory	(9,372)	-	-	(9,372)	6,850
Prepaid expenses	(2,440)	-	-	(2,440)	794
Accounts payable and accrued liabilities	136,807	-	-	136,807	12,788
Deferred revenue	30,433	-	-	30,433	(32,582)
	260,546	3,536	-	264,082	45,423
<b>FINANCING ACTIVITIES</b>					
Proceeds from long term debt	26,409	-	-	26,409	-
Repayments on long term debt	(4,664)	-	-	(4,664)	(12,500)
	21,745	-	-	21,745	(12,500)
<b>INVESTING ACTIVITIES</b>					
Net investment redemptions	-	(3,536)	-	(3,536)	92,756
Purchase of capital assets	(69,094)	-	-	(69,094)	(61,877)
	(69,094)	(3,536)	-	(72,630)	30,879
<b>INCREASE IN CASH FOR THE YEAR</b>	213,197	-	-	213,197	63,802
<b>CASH - beginning of year</b>	144,972	-	-	144,972	81,170
<b>CASH - end of year</b>	358,169	-	-	358,169	144,972

See accompanying notes to the financial statements

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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### 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, 2015

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### 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.

Transaction costs 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 (2014 - nil).

**4. INVESTMENTS**

Investments consist of investment savings mutual funds, all of which are considered short term.

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

### 5. CAPITAL ASSETS

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

	December 31, 2015		December 31, 2014	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	880,000	-	880,000	-
Buildings	1,345,657	596,245	1,345,657	562,604
Building development costs	1,357,791	597,698	1,356,149	527,877
Museum artifacts	813,058	-	780,382	-
Equipment	242,751	180,026	218,436	169,368
Museum exhibits	2,193,373	2,156,790	2,188,175	2,150,848
Computer equipment	65,129	36,513	42,406	29,546
Exhibit studio	21,746	9,437	21,746	7,262
Work in progress	13,540	-	-	-
	6,933,045	3,576,709	6,832,951	3,447,505
Net book value		<u>3,356,336</u>		<u>3,385,446</u>

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

No government remittances are included in accounts payable and accrued liabilities (2014 - nil).

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

### 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:

	2015	2014
	\$	\$
Balance - beginning of year	91,783	124,365
Add funding received	92,735	184,920
Less funding spent	(62,302)	(217,502)
Balance - end of year	122,216	91,783

The balance is comprised as follows:

	2015	2014
	\$	\$
Operations	52,467	71,387
Membership	19,749	20,396
Redevelopment project	50,000	-
Balance - end of year	122,216	91,783

**THE CANADIAN CANOE MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**8. LONG TERM DEBT**

Long term debt consists of the following:

	2015 \$	2014 \$
BlueChip Leasing Corporation loan - financing provided under a business lease agreement with an implicit rate of interest of 13.2%, maturing December 2018, secured by equipment under the lease	17,309	-
Community Futures Development Corporation loan - financing provided under an interest free term loan, repayable in monthly installments of \$383, due on demand, secured by a promissory note and certain museum documents	7,561	-
Community Futures Development Corporation loan - financing provided under an interest free term loan, repayable in monthly installments of \$1,042, due on demand, secured by certain museum artifacts	-	3,125
	24,870	3,125
<u>Less principal payments due within one year</u>	<u>(9,814)</u>	<u>(3,125)</u>
<u>Balance - end of year</u>	<u>15,056</u>	<u>-</u>

Minimum payments on the loans are as follows:

	\$
2016	9,814
2017	8,677
2018	6,379
	<u>24,870</u>

**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.

**THE CANADIAN CANOE MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

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**10. RETAIL SALES**

The retail sales consists of the following:

	2015	2014
	\$	\$
Revenue	158,392	131,197
Cost of sales and other direct expenses	126,791	103,043
<b>Retail sales - net</b>	<b>31,601</b>	<b>28,154</b>

Cost of sales includes an obsolete inventory write-off in the amount of nil (2014 - \$18,771).

**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:

	2015	2014
	\$	\$
Consulting fees	103,940	51,970
Design competition	67,500	-
Fundraising feasibility study	32,236	-
Other	1,318	4,672
	<b>204,994</b>	<b>56,642</b>

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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### 12. INTERFUND TRANSFERS

The Board of Directors authorized the following transfers: \$47,349 from the operating fund to the capital asset fund for the purchase of capital assets of \$69,094 less loan proceeds net of payments of \$21,745; and \$13,989 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.