

Financial Statements of

THE CANADIAN CANOE MUSEUM

December 31, 2016

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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 statement of financial position as at December 31, 2016 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, 2016, 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 24, 2017

THE CANADIAN CANOE MUSEUM

STATEMENT OF FINANCIAL POSITION

December 31, 2016

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2016 Total \$	2015 Total \$
ASSETS					
CURRENT ASSETS					
Cash	723,128	-	-	723,128	358,169
Interfund loans	(477,927)	14,597	463,330	-	-
Investments (note 4)	274,223	-	-	274,223	321,855
Accounts receivable	38,734	-	27,807	66,541	22,283
Grants receivable (note 5)	-	-	54,043	54,043	4,049
Inventory	61,663	-	-	61,663	65,539
Prepaid expenses	9,530	-	-	9,530	6,975
	629,351	14,597	545,180	1,189,128	778,870
CAPITAL ASSETS (note 6)	-	3,659,796	195,932	3,855,728	3,356,336
	629,351	3,674,393	741,112	5,044,856	4,135,206
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (note 7)	88,532	-	45,180	133,712	175,838
Current portion of long term debt	-	8,664	-	8,664	9,814
Deferred revenue (note 8)	52,315	14,597	-	66,912	122,216
Demand loan payable, interest payable at 2% per annum	-	-	500,000	500,000	-
	140,847	23,261	545,180	709,288	307,868
LONG TERM DEBT (note 9)	-	6,481	-	6,481	15,056
	140,847	29,742	545,180	715,769	322,924
FUND BALANCES					
Unrestricted	(11,496)	-	-	(11,496)	(39,184)
Internally restricted	500,000	-	-	500,000	500,000
Invested in capital assets	-	3,644,651	195,932	3,840,583	3,351,466
	488,504	3,644,651	195,932	4,329,087	3,812,282
	629,351	3,674,393	741,112	5,044,856	4,135,206

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, 2016

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2016 Total \$	2015 Total \$
REVENUES					
Admissions	82,075	-	-	82,075	67,897
Donations and fundraising	654,755	350,338	146,934	1,152,027	707,742
Grants and donations - employment and contract staff	57,319	-	-	57,319	72,916
Grants - other	162,612	-	224,043	386,655	295,257
Membership	37,143	-	-	37,143	34,302
Retail sales - net (note 10)	29,919	-	-	29,919	31,601
Course revenue	155,688	-	-	155,688	128,833
Rental and event income	120,134	-	-	120,134	59,282
Investment income	2,368	-	-	2,368	3,536
Other	8,408	-	-	8,408	7,952
	1,310,421	350,338	370,977	2,031,736	1,409,318
EXPENDITURES					
Wages and contract staff	764,420	-	-	764,420	657,301
Facilities	149,217	-	-	149,217	142,920
Operating and administrative	232,469	-	-	232,469	225,532
Fundraising	69,643	-	175,045	244,688	242,240
Interest on long term debt	-	1,740	-	1,740	-
Amortization	-	122,397	-	122,397	129,204
	1,215,749	124,137	175,045	1,514,931	1,397,197
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	94,672	226,201	195,932	516,805	12,121
FUND BALANCES - beginning of year	460,816	3,351,466	-	3,812,282	3,800,161
INTERFUND TRANSFERS (note 11)	(66,984)	66,984	-	-	-
FUND BALANCES - end of year	488,504	3,644,651	195,932	4,329,087	3,812,282

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2016 \$	2015 \$
CASH PROVIDED FROM (USED FOR)					
OPERATING ACTIVITIES					
Excess of revenues over expenditures for the year	94,672	226,201	195,932	516,805	12,121
Add (deduct) the following items not requiring an outlay of cash:					
Amortization	-	122,397	-	122,397	129,204
Gift-in-kind	-	(350,338)	-	(350,338)	(31,000)
	94,672	(1,740)	195,932	288,864	110,325
Changes in non-cash working capital items:					
Accounts receivable	(16,451)	-	(27,807)	(44,258)	(3,831)
Grants receivable	4,049	-	(54,043)	(49,994)	2,160
Inventory	3,876	-	-	3,876	(9,372)
Prepaid expenses	(2,555)	-	-	(2,555)	(2,440)
Accounts payable and accrued liabilities	(87,307)	-	45,180	(42,127)	136,807
Deferred revenue	(69,901)	14,597	-	(55,304)	30,433
	(73,617)	12,857	159,262	98,502	264,082
FINANCING ACTIVITIES					
Interfund loans	457,928	5,402	(463,330)	-	-
Proceeds from demand loan payable	-	-	500,000	500,000	-
Proceeds from long term debt	-	-	-	-	26,409
Repayments on long term debt	-	(9,725)	-	(9,725)	(4,664)
Interfund transfers	(66,984)	66,984	-	-	-
	390,944	62,661	36,670	490,275	21,745
INVESTING ACTIVITIES					
Net investment redemptions	47,632	-	-	47,632	(3,536)
Purchase of capital assets	-	(75,518)	(195,932)	(271,450)	(69,094)
	47,632	(75,518)	(195,932)	(223,818)	(72,630)
INCREASE IN CASH FOR THE YEAR	364,959	-	-	364,959	213,197
CASH - beginning of year	358,169	-	-	358,169	144,972
CASH - end of year	723,128	-	-	723,128	358,169

See accompanying notes to the financial statements

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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, which is reported within the operating fund, reports funds which have been restricted for certain uses, as approved by the Board of Directors, and interest earned on the internally restricted fund investments.

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

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

(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.

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
Vehicles	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, accounts payable and accrued liabilities, demand loan payable and long term debt. These financial instruments are recorded at original cost which approximates fair value due to their short term maturities or the rate of interest being charged approximating a market rate of interest.

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 (2015 - nil).

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The demand loan payable bears interest at the fixed rate of 2% per annum. Therefore, the organization is not subject to fluctuations in interest payments associated with the demand loan payable.

4. INVESTMENTS

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

5. GRANTS RECEIVABLE

During the year, the Museum signed a contribution agreement with the federal government which will provide funding for expenditures related to the pre-construction phase of the new museum up to a maximum of \$1,410,672. The balance receivable at year end is \$54,043.

THE CANADIAN CANOE MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

6. CAPITAL ASSETS

The major categories of capital assets and accumulated amortization are as follows:

	December 31, 2016		December 31, 2015	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	890,259	-	880,000	-
Buildings	2,703,448	1,284,475	2,703,448	1,193,943
Museum artifacts	1,182,090	-	813,058	-
Equipment	256,291	191,314	256,291	180,026
Museum exhibits	2,193,373	2,162,992	2,193,373	2,156,790
Vehicles	40,687	4,069	-	-
Computer equipment	71,008	44,645	65,129	36,513
Exhibit studio	21,746	11,611	21,746	9,437
New museum development costs	195,932	-	-	-
	<u>7,554,834</u>	<u>3,699,106</u>	<u>6,933,045</u>	<u>3,576,709</u>
Net book value		<u>3,855,728</u>		<u>3,356,336</u>

The Museum received \$350,338 (2015 - \$31,000) in contributed capital assets during the year which consisted of museum artifacts.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of \$21,196 (2015 - nil).

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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:

	2016	2015
	\$	\$
Balance - beginning of year	122,216	91,783
Add funding received	90,433	92,735
Less funding spent	(145,737)	(62,302)
Balance - end of year	66,912	122,216

9. LONG TERM DEBT

Long term debt consists of the following:

	2016	2015
	\$	\$
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	12,184	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	2,961	7,561
	15,145	24,870
Less principal payments due within one year	(8,664)	(9,814)
Balance - end of year	6,481	15,056

THE CANADIAN CANOE MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

9. LONG TERM DEBT (continued)

Minimum payments on the loans are as follows:

	\$
2017	8,664
2018	6,481
	15,145

10. RETAIL SALES

The retail sales consists of the following:

	2016	2015
	\$	\$
Revenue	160,951	158,392
Cost of sales and other direct expenses	131,032	126,791
Retail sales - net	29,919	31,601

11. INTERFUND TRANSFERS

The Board of Directors authorized a transfer of \$66,984 from the operating fund to the capital asset fund for capital asset purchases and long term debt principal and interest payments.

THE CANADIAN CANOE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

12. COMMITMENTS AND CONTINGENCIES

- (a) The Museum is committed to annual equipment rental payments under operating leases in the amount of \$4,550 over the next 5 years.
- (b) 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 has determined that further remediation efforts are required, and the value of the property may be impaired. The amount of the impairment cannot be reasonably estimated and, therefore, no accrual has been made in these statements.

13. SUBSEQUENT EVENTS

- (a) The Museum entered into an architectural services contract, with an effective date of January 1, 2017, for the construction of the new Canadian Canoe Museum at the Peterborough Lift Lock in the amount of \$3,305,268. Payments on this contract over the next five years are scheduled as follows:

	\$
2017	1,527,581
2018	589,089
2019	384,000
2020	384,000
2021	384,000
Thereafter	36,598
	<hr/>
	3,305,268

The contract may be terminated at any point; however, upon terminating the Museum is required to remit certain termination payments.

- (b) In January 2017, the Museum received a donation in the amount of \$400,000 towards a total commitment of \$1,200,000 restricted to certain costs of the new museum development.

14. COMPARATIVE FIGURES

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