

Financial Statements of

**THE CANADIAN CANOE MUSEUM**

December 31, 2017

**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 - 11



**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, 2017 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, 2017, 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  
February 28, 2018

# THE CANADIAN CANOE MUSEUM

## STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2017 Total \$	2016 Total \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	353,370	-	2,593,010	2,946,380	723,128
Interfund loans	(77,270)	-	77,270	-	-
Investments (note 4)	276,456	-	-	276,456	274,223
Accounts receivable	37,732	-	35,402	73,134	66,541
Grant receivable	-	-	-	-	54,043
Inventory	62,593	-	-	62,593	61,663
Prepaid expenses	6,005	-	149	6,154	9,530
	658,886	-	2,705,831	3,364,717	1,189,128
<b>CAPITAL ASSETS</b> (note 5)	-	3,672,584	2,540,309	6,212,893	3,855,728
	658,886	3,672,584	5,246,140	9,577,610	5,044,856
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities (note 6)	66,857	-	2,038,210	2,105,067	133,712
Current portion of long term debt	-	5,901	-	5,901	8,664
Deferred revenue (note 7)	51,818	-	762,856	814,674	66,912
Demand loan payable, interest payable at 2% per annum	-	-	-	-	500,000
	118,675	5,901	2,801,066	2,925,642	709,288
<b>LONG TERM DEBT</b> (note 8)	-	-	-	-	6,481
	118,675	5,901	2,801,066	2,925,642	715,769
<b>FUND BALANCES</b>					
Unrestricted	-	-	1,074,497	1,074,497	(11,496)
Internally restricted	540,211	-	-	540,211	500,000
Invested in capital assets	-	3,666,683	607,721	4,274,404	3,840,583
Externally restricted	-	-	762,856	762,856	-
	540,211	3,666,683	2,445,074	6,651,968	4,329,087
	658,886	3,672,584	5,246,140	9,577,610	5,044,856

See accompanying notes to the financial statements



**THE CANADIAN CANOE MUSEUM**  
**STATEMENT OF OPERATIONS AND FUND BALANCES**  
Year Ended December 31, 2017

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2017 Total \$	2016 Total \$
<b>REVENUES</b>					
Admissions	93,195	-	-	93,195	82,075
Donations and fundraising	671,769	81,456	1,436,003	2,189,228	1,152,027
Grants and donations - employment and contract staff	73,359	-	-	73,359	57,319
Grants - other	230,535	-	1,270,935	1,501,470	386,655
Membership	30,262	-	-	30,262	37,143
Retail sales - net (note 9)	39,279	-	-	39,279	29,919
Course revenue	178,371	-	-	178,371	155,688
Rental and event income	92,581	-	-	92,581	120,134
Investment income	2,261	-	2,670	4,931	2,368
Other	9,754	-	-	9,754	8,408
	1,421,366	81,456	2,709,608	4,212,430	2,031,736
<b>EXPENDITURES</b>					
Wages and contract staff	839,582	-	-	839,582	764,420
Facilities	140,615	-	-	140,615	149,217
Operating and administrative	307,380	-	81,253	388,633	232,469
Fundraising	23,957	-	379,213	403,170	244,688
Interest on long term debt	-	105	-	105	1,740
Amortization	-	117,444	-	117,444	122,397
	1,311,534	117,549	460,466	1,889,549	1,514,931
<b>EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) FOR THE YEAR</b>					
	109,832	(36,093)	2,249,142	2,322,881	516,805
<b>FUND BALANCES - beginning of year</b>	488,504	3,644,651	195,932	4,329,087	3,812,282
<b>INTERFUND TRANSFERS (note 10)</b>	(58,125)	58,125	-	-	-
<b>FUND BALANCES - end of year</b>	540,211	3,666,683	2,445,074	6,651,968	4,329,087

See accompanying notes to the financial statements

# THE CANADIAN CANOE MUSEUM

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2017 \$	2016 \$
<b>CASH PROVIDED FROM (USED FOR)</b>					
<b>OPERATING ACTIVITIES</b>					
Excess of revenues over expenditures for the year	109,832	(36,093)	2,249,142	2,322,881	516,805
Add (deduct) the following items not requiring an outlay of cash:					
Amortization	-	117,444	-	117,444	122,397
Gift-in-kind	-	(81,456)	-	(81,456)	(350,338)
	109,832	(105)	2,249,142	2,358,869	288,864
Changes in non-cash working capital items:					
Accounts receivable	1,002	-	(7,595)	(6,593)	(44,258)
Grant receivable	-	-	54,043	54,043	(49,994)
Inventory	(930)	-	-	(930)	3,876
Prepaid expenses	3,525	-	(149)	3,376	(2,555)
Accounts payable and accrued liabilities	(21,675)	-	1,993,030	1,971,355	(42,127)
Deferred revenue	(497)	(14,597)	762,856	747,762	(55,304)
	91,257	(14,702)	5,051,327	5,127,882	98,502
<b>FINANCING ACTIVITIES</b>					
Interfund loan issuance (repayment)	(400,657)	14,597	386,060	-	-
Proceeds from (repayment of) demand loan payable	-	-	(500,000)	(500,000)	500,000
Repayments on long term debt	-	(9,244)	-	(9,244)	(9,725)
Interfund transfers	(58,125)	58,125	-	-	-
	(458,782)	63,478	(113,940)	(509,244)	490,275
<b>INVESTING ACTIVITIES</b>					
Net investment (purchases) redemptions	(2,233)	-	-	(2,233)	47,632
Purchase of capital assets	-	(48,776)	(2,344,377)	(2,393,153)	(271,450)
	(2,233)	(48,776)	(2,344,377)	(2,395,386)	(223,818)
<b>INCREASE IN CASH FOR THE YEAR</b>	(369,758)	-	2,593,010	2,223,252	364,959
<b>CASH - beginning of year</b>	723,128	-	-	723,128	358,169
<b>CASH - end of year</b>	353,370	-	2,593,010	2,946,380	723,128

See accompanying notes to the financial statements

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

---

### 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	10 to 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 donations and grants are recognized as revenue when received, or in the year in which related expenditures are incurred if the contribution agreement stipulates repayment if certain expenditures are not incurred. Unrestricted donations are recognized as revenue when received. Other operating revenues are recognized when received or receivable if the product has been provided or the service has been rendered, 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.

Pledges are not recognized as revenue.

(g) *Contributed materials*

Contributed materials consisting of diverse artifacts and archival materials are recorded in the financial statements at the time of the contribution and when a fair value can be reasonably estimated.

(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 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.

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

---

### 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 (2016 - 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, 2017**

**5. CAPITAL ASSETS**

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

	December 31, 2017		December 31, 2016	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	898,567	-	890,259	-
Buildings	2,717,733	1,365,438	2,703,448	1,284,475
Museum artifacts	1,254,046	-	1,182,090	-
Equipment	264,291	202,211	256,291	191,314
Museum exhibits	2,212,456	2,169,763	2,193,373	2,162,992
Vehicles	45,668	12,554	40,687	4,069
Computer equipment	74,627	52,847	71,008	44,645
Exhibit studio	21,746	13,737	21,746	11,611
New museum development costs	2,540,309	-	195,932	-
	10,029,443	3,816,550	7,554,834	3,699,106
Net book value		<u>6,212,893</u>		<u>3,855,728</u>

The Museum received \$81,456 (2016 - \$350,338) in contributed capital assets during the year which consisted of museum artifacts and equipment.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in the operating fund accounts payable and accrued liabilities are government remittances of \$11,974 (2016 - \$66,984).

Included in the new museum fund accounts payable and accrued liabilities are architectural services in the amount of \$1,837,500.

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### 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. Deferred revenue also includes amounts for memberships and other services to be provided in a future period. The details of the deferred revenue are summarized as follows:

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2017 Total \$	2016 Total \$
Balance - beginning of year	52,315	14,597	-	66,912	122,216
Add funding received	113,480	-	2,103,792	2,217,272	90,433
Less funding spent	(113,977)	(14,597)	(1,340,936)	(1,469,510)	(145,737)
Balance - end of year	51,818	-	762,856	814,674	66,912

### 8. LONG TERM DEBT

Long term debt consists of the following:

	2017 \$	2016 \$
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	5,903	12,184
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
Less principal payments due within one year	(5,903)	(8,664)
Balance - end of year	-	6,481



# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### 9. RETAIL SALES

The retail sales consists of the following:

	2017	2016
	\$	\$
Revenue	176,686	160,951
Cost of sales and other direct expenses	137,407	131,032
Retail sales - net	39,279	29,919

### 10. INTERFUND TRANSFERS

The Board of Directors authorized a transfer of \$58,125 (2016 - \$66,984) from the operating fund to the capital asset fund for capital asset purchases and long term debt principal and interest payments.

### 11. COMMITMENTS AND CONTINGENCIES

- (a) The Museum has entered into two architectural services contracts, both with an effective date of January 1, 2017, for the construction of the new Canadian Canoe Museum at the Peterborough Lift Lock at a combined amount of \$4,195,630. Of this amount, \$1,837,500 has been accrued for services performed during the year as per the contracts. Combined payments on these contracts over the next five years are scheduled as follows:

	\$
2018	1,287,500
2019	493,000
2020	402,000
2021	154,800
2022	20,830
	2,358,130

The contracts may be terminated at any point and the Museum shall only be required to pay for services performed and certain reimbursable expenses to the effective termination date.

**11. COMMITMENTS AND CONTINGENCIES** (continued)

- (b) The Museum is in the process of negotiating a design-build services contract, with an effective date of November 14, 2017, related to the exhibits for the new Canadian Canoe Museum at the Peterborough Lift Lock at a total contract price of \$6,650,000.

The contract may be terminated at any point and the Museum shall only be required to pay for services performed and certain reimbursable expenses to the effective termination date.

- (c) The Museum has entered into a number of consulting services contracts related to the new Museum. The total outstanding commitment as at December 31, 2017 is \$620,816.

These contracts may be terminated at any point and the Museum shall only be required to pay for services performed to the effective termination date.

- (d) The Museum is committed to annual equipment rental payments under operating leases in the amount of \$4,550 over the next 4 years and \$2,275 in 2022.

- (e) 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 and Climate Change. 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.