

**Financial Statements of**

**THE CANADIAN CANOE MUSEUM**

**December 31, 2018**

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Grant Thornton

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Grant Thornton LLP  
362 Queen Street  
Peterborough, ON  
K9H 3J6  
T +1 705 743 5020  
F +1 705 743 5081  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

## Independent auditor's report

To the Members of  
The Canadian Canoe Museum

### Opinion

We have audited the financial statements of The Canadian Canoe Museum ("the Museum"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Canadian Canoe Museum as at December 31, 2018, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Museum in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The financial statements of The Canadian Canoe Museum as at and for the year ended December 31, 2017 were audited by McColl Turner LLP, who expressed an unmodified opinion on those statements on February 28, 2018. The partners and staff of McColl Turner LLP joined Grant Thornton LLP subsequent to February 28, 2018.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Museum's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Museum or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Museum's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Museum's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Museum to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Peterborough, Canada  
March 12, 2019

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

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

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2018 Total \$	2017 Total \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	254,832	-	4,119,864	4,374,696	2,946,380
Interfund loans	43,483	-	(43,483)	-	-
Investments (note 4)	279,821	-	-	279,821	276,456
Accounts receivable	22,515	-	84,675	107,190	73,134
Grants receivable	56,388	-	-	56,388	-
Inventory	64,204	-	-	64,204	62,593
Prepaid expenses	9,393	-	478	9,871	6,154
	730,636	-	4,161,534	4,892,170	3,364,717
<b>CAPITAL ASSETS</b> (note 5)	-	3,619,845	5,158,847	8,778,692	6,212,893
	730,636	3,619,845	9,320,381	13,670,862	9,577,610
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities (note 6)	109,118	-	1,051,301	1,160,419	2,105,067
Current portion of long term debt	-	-	-	-	5,901
Deferred revenue (note 7)	66,113	-	3,038,000	3,104,113	814,674
Promissory note payable (note 8)	-	-	500,000	500,000	-
	175,231	-	4,589,301	4,764,532	2,925,642
<b>FUND BALANCES</b>					
Unrestricted	-	-	471,998	471,998	1,837,353
Internally restricted	555,405	-	-	555,405	540,211
Invested in capital assets	-	3,619,845	4,259,082	7,878,927	4,274,404
	555,405	3,619,845	4,731,080	8,906,330	6,651,968
	730,636	3,619,845	9,320,381	13,670,862	9,577,610

See accompanying notes to the financial statements

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

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2018 Total \$	2017 Total \$
<b>REVENUES</b>					
Admissions	98,266	-	-	98,266	93,195
Donations and fundraising	482,661	37,060	703,379	1,223,100	2,189,228
Grants and donations - employment and contract staff	76,577	-	-	76,577	73,359
Grants - other	155,877	-	2,645,657	2,801,534	1,501,470
Membership	36,072	-	-	36,072	30,262
Retail sales - net (note 9)	46,054	-	-	46,054	49,033
Course revenue	164,429	-	-	164,429	178,371
Rental and event income	67,012	-	-	67,012	92,581
Investment income	3,365	-	23,924	27,289	4,931
	<u>1,130,313</u>	<u>37,060</u>	<u>3,372,960</u>	<u>4,540,333</u>	<u>4,212,430</u>
<b>EXPENDITURES</b>					
Wages and contract staff (note 10)	680,387	-	458,385	1,138,772	839,582
Facilities	135,911	-	2,728	138,639	140,615
Operating and administrative	224,244	-	95,997	320,241	388,633
Fundraising	40,003	-	529,844	569,847	403,170
Interest on long term debt	-	-	-	-	105
Amortization	-	118,472	-	118,472	117,444
	<u>1,080,545</u>	<u>118,472</u>	<u>1,086,954</u>	<u>2,285,971</u>	<u>1,889,549</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) FOR THE YEAR</b>	49,768	(81,412)	2,286,006	2,254,362	2,322,881
<b>FUND BALANCES - beginning of year</b>	540,211	3,666,683	2,445,074	6,651,968	4,329,087
<b>INTERFUND TRANSFERS (note 11)</b>	(34,574)	34,574	-	-	-
<b>FUND BALANCES - end of year</b>	<u>555,405</u>	<u>3,619,845</u>	<u>4,731,080</u>	<u>8,906,330</u>	<u>6,651,968</u>

See accompanying notes to the financial statements

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

	Operating Fund \$	Capital Asset Fund \$	New Museum Fund \$	2018 \$	2017 \$
<b>CASH PROVIDED FROM (USED FOR)</b>					
<b>OPERATING ACTIVITIES</b>					
Excess of revenues over expenditures for the year	49,768	(81,412)	2,286,006	2,254,362	2,322,881
Add (deduct) the following items not requiring an outlay of cash:					
Amortization	-	118,472	-	118,472	117,444
Gifts-in-kind	-	(37,060)	-	(37,060)	(81,456)
	49,768	-	2,286,006	2,335,774	2,358,869
Changes in non-cash working capital items:					
Accounts receivable	15,216	-	(49,273)	(34,057)	(6,593)
Grants receivable	(56,388)	-	-	(56,388)	54,043
Inventory	(1,611)	-	-	(1,611)	(930)
Prepaid expenses	(3,388)	-	(329)	(3,717)	3,376
Accounts payable and accrued liabilities	42,262	-	(986,909)	(944,647)	1,971,355
Deferred revenue	14,295	-	2,275,144	2,289,439	747,762
	60,154	-	3,524,639	3,584,793	5,127,882
<b>FINANCING ACTIVITIES</b>					
Interfund loan issuance (repayment)	(120,753)	-	120,753	-	-
Proceeds from (repayment of) promissory note	-	-	500,000	500,000	(500,000)
Repayments on long term debt	-	(5,901)	-	(5,901)	(9,244)
Interfund transfers	(34,574)	34,574	-	-	-
	(155,327)	28,673	620,753	494,099	(509,244)
<b>INVESTING ACTIVITIES</b>					
Net investment purchases	(3,365)	-	-	(3,365)	(2,233)
Purchase of capital assets	-	(28,673)	(2,618,538)	(2,647,211)	(2,393,153)
	(3,365)	(28,673)	(2,618,538)	(2,650,576)	(2,395,386)
<b>INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	(98,538)	-	1,526,854	1,428,316	2,223,252
<b>CASH - beginning of year</b>	353,370	-	2,593,010	2,946,380	723,128
<b>CASH - end of year</b>	254,832	-	4,119,864	4,374,696	2,946,380

See accompanying notes to the financial statements

**THE CANADIAN CANOE MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018**

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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, 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.

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Use of estimates*

Management reviews the carrying value of items in the financial statements at each reporting date to assess the need for revisions or any possibility of impairment. Management determines estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are reviewed periodically and adjustments are made to revenue and expenditures as appropriate in the year they become known. The most significant items that involve the use of estimates are inventory valuation and the useful life of capital assets.

### 3. FINANCIAL INSTRUMENTS

(a) *Measurement*

The Museum considers any contract creating a financial asset, liability, or equity instrument as a financial instrument, except in certain limited circumstances. The Museum accounts for the following as financial instruments;

- cash
- investments
- accounts receivable
- accounts payable
- promissory note payable

A financial asset or liability is recognized when the Museum becomes a party to contractual provision of the instrument.

The Museum initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and investments, which are measured at fair value.

The Museum removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets or liabilities obtained in related party transactions are measured at the exchange amount.

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 3. FINANCIAL INSTRUMENTS (continued)

#### (b) *Risks*

The Museum 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 Museum will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Museum's cash requirements. Additional cash requirements are met with the use of transfers from the Museum's internally restricted fund balance provided for working capital or the available promissory note as described in note 8.

#### (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 Museum 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 (2017 - 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 promissory note payable bears interest at the fixed rate of 2.5% per annum. Therefore, the Museum is not subject to fluctuations in interest payments associated with the promissory note payable.

### 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, 2018

**5. CAPITAL ASSETS**

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

	December 31, 2018		December 31, 2017	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	898,567	-	898,567	-
Buildings	2,722,954	1,444,667	2,717,733	1,365,438
Museum artifacts	1,289,006	-	1,254,046	-
Equipment	276,117	213,270	264,291	202,211
Museum exhibits	2,214,572	2,177,267	2,212,456	2,169,763
Vehicles	45,668	21,688	45,668	12,554
Computer equipment	86,237	62,266	74,627	52,847
Exhibit studio	21,746	15,864	21,746	13,737
New museum development costs	5,158,847	-	2,540,309	-
	12,713,714	3,935,022	10,029,443	3,816,550
Net book value		<u>8,778,692</u>		<u>6,212,893</u>

The Museum received \$37,060 (2017 - \$81,456) in contributed capital assets during the year which consisted of museum artifacts and equipment.

**6. GOVERNMENT REMITTANCES**

Included in the operating fund accounts payable and accrued liabilities are government remittances of \$6,078 (2017 - \$11,974).

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

### 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 \$	2018 Total \$	2017 Total \$
Balance - beginning of year	51,818	-	762,856	814,674	66,912
Add funding received	60,319	-	2,420,801	2,481,120	2,217,272
Less funding spent	(46,024)	-	(145,657)	(191,681)	(1,469,510)
Balance - end of year	66,113	-	3,038,000	3,104,113	814,674

### 8. PROMISSORY NOTE PAYABLE

During the year, the Museum signed a promissory note to receive funds up to a maximum amount of \$4,000,000 at an interest rate of 2.5% per annum. The Museum will draw upon these available funds only as needed. Any funds drawn in 2018 are to be repaid by March 31, 2019 and any funds drawn in 2019 are to be repaid by June 30, 2019. As at year end, the Museum had drawn \$500,000.

### 9. RETAIL SALES

The retail sales consists of the following:

	2018 \$	2017 \$
Revenue	172,291	186,440
Cost of sales and other direct expenses	126,237	137,407
Retail sales - net	46,054	49,033

# THE CANADIAN CANOE MUSEUM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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### 10. ALLOCATION OF EXPENSES

The Museum employs individuals that perform work for both general operations and the development of the new museum. Wages and benefits for these individuals are allocated to the operating fund and new museum fund based on a direct proportion of the time spent on the aforementioned activities. The wages and benefits allocated to the new museum fund during the year were \$458,385 (2017 - \$Nil).

### 11. INTERFUND TRANSFERS

The Board of Directors authorized a transfer of \$34,574 (2017 - \$58,125) from the operating fund to the capital asset fund for capital asset purchases and long term debt principal and interest payments.

### 12. 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, \$3,125,000 (2017 - \$1,837,500) has been recorded to date for services performed as per the contracts. Combined payments on these contracts are scheduled as follows:

	\$
2019	493,000
2020	402,000
2021	154,800
2022	20,830
	1,070,630

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.

**THE CANADIAN CANOE MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2018

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

- (b) The Museum has entered into a design-build services contract related to the exhibits for the new Canadian Canoe Museum at the Peterborough Lift Lock at a total contract price of \$6,650,000. Of this amount, \$687,791 (2017 - \$Nil) has been recorded to date for services performed as per the contract. Combined payments on this contract are scheduled as follows:

	\$
2019	452,363
2020	4,560,039
2021	949,807
	<u>5,962,209</u>

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, 2018 is \$806,742 (2017 - \$620,816). There are no set terms of payment and payments will be made as expenses are incurred.
- (d) 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.

**13. COMPARATIVE FIGURES**

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