

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2022

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of the
Maritime Museum of British Columbia Society

We have reviewed the accompanying financial statements of the Maritime Museum of British Columbia Society that comprise the statement of financial position as at March 31, 2022, and the statements of operations and changes in net assets 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were unable to determine whether any adjustments might be necessary to current assets and net assets as at March 31, 2022 and revenue, excess of revenues over expenses, and cash flows from operations for the year then ended.

Suite 205-1662
McKenzie Ave.
Victoria, BC
V8N 0A4

•
Phone:
(250) 472-3211

•
Fax:
(250) 472-3212

Brock E.
Campbell Inc.

•
SDG
Financial
Services
Inc.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT, continued

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Maritime Museum of British Columbia Society as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

As described in Note 2, the financial statements have been presented on a going concern basis. Readers are cautioned that the basis of presentation of the financial statements may not be appropriate for their purposes.

Victoria, British Columbia
September 22, 2022

The Graphite Group
CHARTERED PROFESSIONAL ACCOUNTANTS



MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2022

| | | | | 2022 | 2021 |
|---|----------------|---------------------------------|-----------------|------------|------------|
| | Operating Fund | Capital Asset & Collection Fund | Endowment Funds | Total | Total |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 267,332 | \$ - | \$ 33,272 | \$ 300,604 | \$ 226,877 |
| Accounts receivable (Note 4) | 7,745 | - | - | 7,745 | 23,619 |
| Inventory | 3,899 | - | - | 3,899 | 6,146 |
| Prepaid expenses | 8,087 | - | - | 8,087 | 6,278 |
| | 287,063 | - | 33,272 | 320,335 | 262,920 |
| TANGIBLE CAPITAL ASSETS (Note 5) | - | 59,482 | - | 59,482 | 20,117 |
| COLLECTION AND EXHIBITS (Note 6) | - | 1 | - | 1 | 1 |
| | \$ 287,063 | \$ 59,483 | \$ 33,272 | \$ 379,818 | \$ 283,038 |
| CURRENT LIABILITIES | | | | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 48,232 | \$ - | \$ - | \$ 48,232 | \$ 41,553 |
| Deferred revenue | 49,861 | - | - | 49,861 | 5,917 |
| Deferred contributions (Note 8) | - | - | - | - | 5,127 |
| | 98,093 | - | - | 98,093 | 52,597 |
| FUND BALANCES | | | | | |
| Invested in capital assets | - | 59,483 | - | 59,483 | 20,118 |
| Endowment (Note 9) | - | - | 33,272 | 33,272 | 34,876 |
| Unrestricted | 188,970 | - | - | 188,970 | 175,447 |
| | 188,970 | 59,483 | 33,272 | 281,725 | 230,441 |
| | \$ 287,063 | \$ 59,483 | \$ 33,272 | \$ 379,818 | \$ 283,038 |

Commitments (Note 10)

Approved by the Board:

| | |
|---|----------|
|  | Director |
|  | Director |

See accompanying notes to the financial statements.

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2022

| | 2022 | | | 2021 | |
|--|-------------------|------------------------------------|--------------------|-------------------|-------------------|
| | Operating Fund | Capital Asset & Collection Fund | Endowment Funds | Total | Total |
| REVENUES | | | | | |
| Admissions | \$ 15,763 | \$ - | \$ - | \$ 15,763 | \$ 2,367 |
| Memberships | 8,240 | - | - | 8,240 | 7,715 |
| Gift shop and other | 22,941 | - | - | 22,941 | 14,853 |
| Rental income | 3,267 | - | - | 3,267 | 4,082 |
| Fundraising - Victoria Classic Boat Festival and other | 8,567 | - | - | 8,567 | 734 |
| Programs | 9,046 | - | - | 9,046 | 6,499 |
| Federal COVID-19 wage and rent subsidies | 62,601 | - | - | 62,601 | 132,345 |
| Interest and miscellaneous | 1,318 | - | 32 | 1,350 | 1,704 |
| | <u>131,743</u> | <u>-</u> | <u>32</u> | <u>131,775</u> | <u>170,299</u> |
| GIFTS AND DONATIONS | <u>213,356</u> | <u>-</u> | <u>3,150</u> | <u>216,506</u> | <u>214,108</u> |
| GRANTS | | | | | |
| Federal | 95,933 | - | - | 95,933 | 78,465 |
| Provincial - gaming and other | 82,000 | - | - | 82,000 | 92,000 |
| Municipal | 800 | - | - | 800 | 9,000 |
| Other | 21,127 | - | - | 21,127 | 2,929 |
| | <u>199,860</u> | <u>-</u> | <u>-</u> | <u>199,860</u> | <u>182,394</u> |
| TOTAL REVENUE | <u>544,959</u> | <u>-</u> | <u>3,182</u> | <u>548,141</u> | <u>566,801</u> |
| EXPENSES | | | | | |
| Amortization | - | 28,802 | - | 28,802 | 18,386 |
| Accounting | 23,897 | - | - | 23,897 | 24,915 |
| Bank charges and interest | 4,949 | - | - | 4,949 | 4,095 |
| Building development | 2,507 | - | - | 2,507 | 9,627 |
| Collection and exhibits | 26,568 | - | 4,786 | 31,354 | 10,444 |
| Equipment and maintenance | 7,645 | - | - | 7,645 | 2,572 |
| Facility rental | 56,165 | - | - | 56,165 | 31,245 |
| Freight and postage | 1,139 | - | - | 1,139 | 2,993 |
| Gift shop - cost of goods sold | 5,908 | - | - | 5,908 | 1,116 |
| Insurance | 8,048 | - | - | 8,048 | 7,474 |
| Licences, dues and subscriptions | 16,241 | - | - | 16,241 | 11,326 |
| Marketing and promotion | 4,774 | - | - | 4,774 | 3,133 |
| Office and travel | 3,692 | - | - | 3,692 | 2,506 |
| Professional fees | 5,596 | - | - | 5,596 | 76,465 |
| Salaries and benefits | 283,754 | - | - | 283,754 | 239,366 |
| Supplies | 8,750 | - | - | 8,750 | 4,266 |
| Victoria Classic Boat Festival and other | 3,636 | - | - | 3,636 | 4,628 |
| | <u>463,269</u> | <u>28,802</u> | <u>4,786</u> | <u>496,857</u> | <u>454,557</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | 81,690 | (28,802) | (1,604) | 51,284 | 112,244 |
| FUND BALANCES, beginning of year | 175,447 | 20,118 | 34,876 | 230,441 | 118,197 |
| Interfund transfers - purchase of capital assets | (68,167) | 68,167 | - | - | - |
| FUND BALANCES, ending of year | <u>\$ 188,970</u> | <u>\$ 59,483</u> | <u>\$ 33,272</u> | <u>\$ 281,725</u> | <u>\$ 230,441</u> |

See accompanying notes to the financial statements.

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2022

| | 2022 | | | 2021 | |
|--|--------------------------|---------------------------------|-------------------------|--------------------------|--------------------------|
| | Operating Fund | Capital Asset & Collection Fund | Endowment Funds | Total | Total |
| OPERATING ACTIVITIES | | | | | |
| Excess (deficiency) of revenues over expenses | \$ 81,690 | \$ (28,802) | \$ (1,604) | \$ 51,284 | \$ 112,244 |
| Adjustments for non-cash items: | | | | | |
| Amortization | - | 28,802 | - | 28,802 | 18,386 |
| Changes in non-cash working capital: | | | | | |
| Accounts receivable | 15,874 | - | - | 15,874 | (22,580) |
| Inventory | 2,247 | - | - | 2,247 | 485 |
| Prepaid expenses | (1,809) | - | - | (1,809) | (2,872) |
| Accounts payable and accrued liabilities | 6,679 | - | - | 6,679 | (5,780) |
| Deferred revenue | 43,944 | - | - | 43,944 | (16,329) |
| Deferred contributions | (5,127) | - | - | (5,127) | (1,929) |
| | <u>143,498</u> | <u>-</u> | <u>(1,604)</u> | <u>141,894</u> | <u>81,625</u> |
| INVESTING ACTIVITIES | | | | | |
| Purchases of tangible capital assets | - | (68,167) | - | (68,167) | (1,117) |
| | <u>-</u> | <u>(68,167)</u> | <u>-</u> | <u>(68,167)</u> | <u>(1,117)</u> |
| INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 143,498 | (68,167) | (1,604) | 73,727 | 80,580 |
| OTHER CASH FLOW ITEMS | | | | | |
| Interfund transfers - purchase of capital assets | (68,167) | 68,167 | - | - | - |
| CASH AND EQUIVALENTS, beginning of year | <u>192,001</u> | <u>-</u> | <u>34,876</u> | <u>226,877</u> | <u>146,297</u> |
| CASH AND EQUIVALENTS, end of year | <u>\$ 267,332</u> | <u>\$ -</u> | <u>\$ 33,272</u> | <u>\$ 300,604</u> | <u>\$ 226,877</u> |

See accompanying notes to the financial statements.

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

1. **Nature of operations**

Maritime Museum of British Columbia Society (the "Society") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. As a registered charity, the Society is exempt from the payment of income tax under Section 149(1) of the federal *Income Tax Act*.

2. **Going concern**

The Society's museum exhibit lease at Bastion Square was terminated effective April 1, 2014. The Society has secured storage space for its collection of artifacts with assistance from the Province of British Columbia. The Society continues to search for exhibit space and operates a temporary store front location on Douglas Street. The Society's lease can be renewed to July 31, 2024. Ongoing operations of the Society are dependant upon the ability to secure future premises and related funding.

The Society's ability to negotiate for appropriate permanent exhibit space is at this time uncertain. This situation indicates the existence of a material uncertainty that may cause significant doubt on the Society's ability to continue as a going concern. If the Society is unable to continue it will be forced to wind up and liquidate its net assets. The financial statements (and notes thereto) do not fully disclose this fact. The effects of any differences in the presentation of the Society's net assets on a going concern basis versus a liquidation basis have not been determined.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Society be unable to continue its operations.

3. **Significant accounting policies**

(a) Basis of presentation

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with financial institutions.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

3. Significant accounting policies, continued

(d) Fund accounting restricted

The Society follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Society's programs delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset and Collection Fund reports assets, liabilities, revenue and expenses related to the Society's capital assets. It is the Society's policy to carry the museum collection at a nominal amount of \$1.

The Endowment Fund reports only restricted resources that are to be used for a specific purposes. The Endowment Fund reports assets, liabilities, revenues and expenses related to resources contributed as endowments for purposes which are restricted in their use (Note 9).

(e) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are periodically reviewed and any adjustments are reported in net assets in the period in which they become known. Actual results could differ from those estimates and may have impact on future periods.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Areas requiring the use of management estimates include the useful life of assets for amortization, the net realizable value of the inventories, and the accrual of liabilities.

(f) Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Expenditures for assets expected to be used for more-than one year and expenditures which substantially increase the expected useful life of existing assets are capitalized. Amortization is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

| | |
|-------------------------------|---------------|
| Leasehold improvements | term of lease |
| Equipment | 5 years |
| Computer equipment | 3 years |
| Infrastructure and renovation | 25 years |
| Signage | 5 years |

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

3. Significant accounting policies, continued

(g) Revenue recognition

Unrestricted contributions, and restricted contributions related to general operations, are recognized as revenue of the operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Contributions are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowments are recognized as revenue of the Endowment Fund. Investment income earned on any Endowment Fund resources is recognized as revenue of the Operating Fund unless otherwise directed by the donor.

Admission, membership, gift shop, program, fundraising and rental income are all recognized as earned. Unearned amounts are recorded as deferred revenue.

(h) Contributed services

The operations of the Society depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably estimated and are therefore not reflected in these financial statements.

4. Government assistance receivable

Accounts receivable include \$5,214 (2021: \$Nil) with respect to the Canada Recovery Hiring Program, \$Nil (2021: \$19,451) with respect to the Canadian Emergency Wage Subsidy, and \$Nil (2021: \$3,967) with respect to the Canadian Emergency Rent Subsidy.

5. Tangible capital assets

| | <u>2022</u> | | | <u>2021</u> |
|-------------------------------|-------------------|---------------------------------|----------------------------|----------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Carrying Amount</u> | <u>Net Carrying Amount</u> |
| Leasehold improvements | \$ 64,205 | \$ 15,618 | \$ 48,587 | \$ - |
| Equipment | 166,237 | 158,484 | 7,753 | 19,002 |
| Computer equipment | 18,831 | 15,690 | 3,141 | 1,114 |
| Infrastructure and renovation | 1 | - | 1 | 1 |
| Signage | 11,379 | 11,379 | - | - |
| | <u>\$ 260,653</u> | <u>\$ 201,171</u> | <u>\$ 59,482</u> | <u>\$ 20,117</u> |

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

6. Collection and exhibits

The collection, exhibits and other archive material are shown at a nominal value of \$1. The Society's collection is currently insured for \$2,800,000.

7. Government remittances payable

Accounts payable and accrued liabilities include \$5,846 (2021: \$6,372) owing with respect to payroll withholdings, \$359 (2021: \$983) receivable with respect to Goods and Services Tax and \$125 (2021: \$74) owing with respect to Provincial Sales Tax.

8. Deferred contributions

The deferred contributions represents externally restricted grants reported in the Operating Fund received in the current year that is intended to cover operating expenses in the subsequent year. Changes in the deferred operating grant balances are as follows:

| | 2022 | 2021 |
|-----------------------------------|----------------|-----------------|
| Balance, beginning of year | \$ 5,127 | \$ 7,056 |
| Recognized as revenue in the year | <u>(5,127)</u> | <u>(1,929)</u> |
| Balance, end of year | <u>\$ -</u> | <u>\$ 5,127</u> |

9. Endowment Funds

The Endowment Fund is comprised of the following:

Eleanor Luxton Endowment - funds to invested and income earned used to maintain the "Tilikum" exhibit.

"Dorothy" Endowment - funds received from the sale of donated vessel to be invested and income accrued used to assist in the operating costs of the Society's sailing vessel "Dorothy".

| | Dorothy Funds | Tilikum Funds | 2022 | 2021 |
|-------------------------|--------------------------|--------------------------|------------------|------------------|
| Opening balance | \$ 22,131 | \$ 12,745 | \$ 34,876 | \$ 34,048 |
| Interest | 19 | 13 | 32 | 43 |
| Donations | <u>3,150</u> | <u>-</u> | <u>3,150</u> | <u>785</u> |
| | 25,300 | 12,758 | 38,058 | 34,876 |
| Collections and exhibit | <u>(4,786)</u> | <u>-</u> | <u>(4,786)</u> | <u>-</u> |
| | <u>\$ 20,514</u> | <u>\$ 12,758</u> | <u>\$ 33,272</u> | <u>\$ 34,876</u> |

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

10. Commitments

The Society has operating leases for a temporary storefront and photocopier. The temporary storefront is located at 744 Douglas Street and the current lease term ends on July 31, 2023. There is an option to renew the storefront lease for an additional year, which the Society expects to exercise.

Minimum estimated payments are as follows:

| | Premises | Photocopier |
|------|-------------------|-----------------|
| 2023 | \$ 52,884 | \$ 1,188 |
| 2024 | 52,884 | 1,188 |
| 2025 | 17,628 | 1,188 |
| 2026 | - | 1,188 |
| 2027 | - | 891 |
| | <u>\$ 123,396</u> | <u>\$ 5,643</u> |

11. Funds held with Victoria Foundation

Not included in the financial statements are investments held in endowment with the Victoria Foundation. The account has the following fund activity and market values:

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Market value, beginning balance | \$ 307,417 | \$ 221,500 |
| Contributions | 55,325 | 40,668 |
| Investment returns | 18,229 | 52,917 |
| Distributions to the Society | (8,316) | (6,351) |
| Management fees | <u>(1,766)</u> | <u>(1,317)</u> |
| | <u>\$ 370,889</u> | <u>\$ 307,417</u> |

12. Credit facilities

The Society has an overdraft agreement to a maximum of \$50,000 of which \$Nil (2021: \$Nil) was drawn at year end, which bears interest at prime lending rate plus 1% per annum and is secured by a registered general security agreement and an assignment of accounts receivable and inventory.

MARITIME MUSEUM OF BRITISH COLUMBIA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

13. **Financial instruments**

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Society's exposure to these risks.

(a) 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 Society's main credit risk relates to its accounts receivable. The Society has an insignificant number of customers with whom it grants credit which minimizes credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and commitments.

(c) 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 market interest rates. The Society is exposed to interest rate risk with respect to its cash and other deposits at financial institutions.

14. **COVID-19**

Events have occurred as a result of the COVID-19 pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time. The full impact this will have on the Society's stakeholders and the resulting effect of COVID-19 on the Society's financial position and future operations is not known.