

West Parry Sound District Museum
Financial Statements
For the year ended December 31, 2023

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Contents

Independent Auditors' Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8

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Independent Auditors' Report

To the Board of Directors of West Parry Sound District Museum

Qualified Opinion

We have audited the accompanying financial statements of West Parry Sound District Museum (the "entity"), which comprise the statement of financial position as at December 31, 2023 and the statements of operations and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and December 31, 2022, current assets as at December 31, 2023 and December 31, 2022, and net assets as at January 1 and December 31 for both years. Our audit opinion on the financial statements for the year ended December 31, 2023 was modified accordingly because of the possible effects of this limitation in scope.

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 entity 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 entity'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 entity'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 entity 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.



Parry Sound, Ontario
April 25, 2024

Chartered Professional Accountants
Licensed Public Accountants

**West Parry Sound District Museum
Statement of Financial Position**

December 31	2023	2022
Assets		
Current		
Bank (Note 5)	\$ 213,248	\$ 219,953
Accounts receivable (Note 3)	17,518	103,142
Gift shop inventory	11,696	9,578
Prepaid expenses	20,300	21,454
	<u>262,762</u>	<u>354,127</u>
Capital assets (Note 4)	508,109	583,961
Collections	1	1
	<u>1</u>	<u>1</u>
	\$ 770,872	\$ 938,089

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 31,947	\$ 107,114
Deferred contributions	17,872	29,806
	<u>49,819</u>	<u>136,920</u>
Loan - Town of Parry Sound (1.1%, no fixed terms of repayment)	9,448	20,967
Deferred contributions for capital assets (Note 8)	491,809	546,675
	<u>491,809</u>	<u>546,675</u>
	<u>551,076</u>	<u>704,562</u>
Net Assets		
Net assets internally restricted	10,637	10,498
Unrestricted net assets	209,159	223,029
	<u>219,796</u>	<u>233,527</u>
	\$ 770,872	\$ 938,089

On behalf of the Board:

_____ Director

_____ Director

**West Parry Sound District Museum
Statement of Changes in Net Assets**

For the year ended December 31	Internally Restricted		Unrestricted		2023		2022	
Balance, beginning of year	\$	10,498	\$	223,029	\$	233,527	\$	190,452
Excess (deficiency) of revenue over expenses for the year		139		(13,870)		(13,731)		43,075
Balance, end of year	\$	10,637	\$	209,159	\$	219,796	\$	233,527

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

West Parry Sound District Museum Statement of Operations

For the year ended December 31	Budget	2023	2022
Revenues			
Grants (Note 10)	\$ 150,642	\$ 96,790	\$ 96,689
Contributions from municipalities	158,588	148,475	143,588
Memberships, sponsorships, etc.	1,950	2,249	2,000
Admissions - museum	7,000	10,883	6,163
Fundraising and donations (Note 9)	8,400	30,993	78,073
Gift shop	5,000	9,362	7,367
Rentals	1,000	1,909	1,295
Interest income	-	74	62
	<u>332,580</u>	<u>300,735</u>	<u>335,237</u>
Amortization of deferred contributions	-	54,866	55,227
Surcharge on membership for funds restricted for maintenance	-	139	109
	<u>332,580</u>	<u>355,740</u>	<u>390,573</u>
Expenditures			
Accounting and legal	7,400	9,629	7,079
Advertising and marketing	5,000	3,130	768
Curatorial and exhibition	4,550	19,133	7,223
Fundraising expenses (Note 9)	2,600	22,734	614
Gift shop purchases	3,000	6,613	3,958
Insurance	20,000	20,610	16,078
Interest and bank charges	373	745	719
Office and other	4,300	6,561	7,169
Repairs and maintenance - building	29,500	42,831	88,271
Repairs and maintenance - tower hill	5,000	4,959	4,170
Salaries, benefits and contract work	108,913	133,964	111,257
Telephone and communication	2,000	1,945	2,094
Utilities and rent (Note 11)	25,000	20,764	21,550
	<u>217,636</u>	<u>293,618</u>	<u>270,950</u>
Amortization of capital assets	-	75,853	76,548
	<u>217,636</u>	<u>369,471</u>	<u>347,498</u>
Net Change in assets	<u>\$ 114,944</u>	<u>\$ (13,731)</u>	<u>\$ 43,075</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

West Parry Sound District Museum Statement of Cash Flows

For the year ended December 31	2023	2022
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenditures	\$ (13,731)	\$ 43,075
Items not involving cash		
Amortization of capital assets	75,853	76,548
Amortization of deferred contributions	(54,866)	(55,227)
	<u>7,256</u>	<u>64,396</u>
Changes in non-cash working capital balances		
Accounts receivable	85,624	(96,056)
Gift shop inventory	(2,118)	(1,379)
Prepaid expenses	1,154	(11,724)
Accounts payable and accrued liabilities	(75,167)	72,209
Deferred revenue	(11,934)	4,101
	<u>(2,441)</u>	<u>(32,849)</u>
Investing activities and financing activities		
Purchase of capital assets	-	(1,449)
Repayment of long-term debt	(11,520)	(721)
Deferred contributions received	-	1,451
	<u>(11,520)</u>	<u>(719)</u>
Increase (decrease) in cash during the year	(6,705)	30,828
Cash and cash equivalents, beginning of year	219,953	189,125
Cash and cash equivalents, end of year	\$ 213,248	\$ 219,953

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

West Parry Sound District Museum

Notes to Financial Statements

December 31, 2023

1. Nature and Purpose of Organization

West Parry Sound District Museum (the Museum) is incorporated under provincial letters patent as a not-for-profit organization and is a registered charity under the Income Tax Act. The organization operates a museum and related funding programs at its location on Tower Hill in Parry Sound, Ontario.

The Museum was created to collect, conserve, research, house, exhibit and interpret those objects that best serve to illustrate the history of the West Parry Sound District. Themes will relate to human history, settlement, industry, transportation, recreation and natural history.

The Museum will fulfil its obligation by providing special educational programs and exhibits for research and for the benefit of the present and future generations of the West Parry Sound District.

2. Significant Accounting Policies

- a) Basis of Accounting** These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
- b) Revenue Recognition** The Museum follows the deferral method of accounting for contributions. Under this method, restricted contributions are recognized as revenue in the year the corresponding expenditure is incurred.
- Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Contributions restricted for the purchase of capital assets are recognized as revenue in the same manner that the corresponding assets are amortized.
- Gift shop sales are recognized as revenue when the goods are sold.
- Revenues from memberships, museum admissions, rental, research, and other activities are recognized when the related payment has been received.
- Interest income is recognized as it is earned.
- c) Deferred Revenue** Deferred revenues represent government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the services are performed or the purchases are made.

West Parry Sound District Museum Notes to Financial Statements

December 31, 2023

d) Contributed

Materials & Services

The Board of Directors and volunteers contribute many hours and materials to assist the organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the financial statements.

e) Financial Instruments

Measurement of financial instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and short-term loans.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

f) Inventory

Gift shop inventory is stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

West Parry Sound District Museum Notes to Financial Statements

December 31, 2023

g) Capital Assets

Capital assets are recorded at cost. Amortization is allocated using the following rates per annum (1/2 the rate in the year of acquisition):

Building & landscaping	- 40	years, straight line basis
Geothermal equipment	- 10	years, straight line basis
Computer equipment	- 30	%, declining balance basis
Equipment & furnishing	- 20	%, declining balance basis

h) Use of Estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include accounts receivable, accrued liabilities, deferred revenues, and deferred contributions.

i) Collections

The Museum was created to collect, conserve, research, house, exhibit and interpret those objects that best serve to illustrate the history of West Parry Sound District. These objects comprise the Museum's permanent collection and relate to human history settlement, industry, transportation, recreation, and natural history.

The Museum's collections are capitalized in the statement of financial position at nominal value and are not subject to amortization. Contributions of collection items are recorded at a nominal value. For purchased items, the difference between the purchase price and nominal value is expensed in the period the items are acquired.

The cost of these objects is not determinable and accordingly is stated at a nominal value.

West Parry Sound District Museum Notes to Financial Statements

December 31, 2023

3. Accounts Receivable

	2023	2022
Accounts receivable	\$ 29	\$ 70,226
Grant funding receivable	7,372	9,382
HST recoverable	10,117	23,534
	\$ 17,518	\$ 103,142

4. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 1,992,896	\$ 1,521,992	\$ 470,904	\$ 520,726
Equipment & furnishings	156,538	150,540	5,998	7,498
Geothermal equipment	230,567	202,799	27,768	50,824
Computer equipment	9,083	5,644	3,439	4,913
	\$ 2,389,084	\$ 1,880,975	\$ 508,109	\$ 583,961

5. Bank

The organization's bank accounts are held at one credit union and earn interest at variable rates dependant on average monthly balances.

The Museum has an unused authorized line of credit through its credit union with a maximum draw of \$15,400 (2022 - \$15,400) bearing interest at the credit union's prime lending rate plus 1% and secured by a general security agreement. As at December 31, 2023, the amount being draw on this line of credit was \$NIL (2022 - \$NIL).

6. Economic Dependence

The Museum received 69% (2022 - 62%) of its revenue from grants and municipal contributions, and is dependent on this funding to operate.

West Parry Sound District Museum Notes to Financial Statements

December 31, 2023

7. Accounts Payable and Accrued Liabilities

	2023	2022
Trade accounts payable	\$ 5,103	\$ 83,654
Accrued liabilities	7,599	6,505
Accrued wages	19,158	16,955
Government remittances payable	87	-
	\$ 31,947	\$ 107,114

The carrying value of accounts payable and accrued liabilities approximates fair value because of the short maturity of these instruments and because they are subject to normal credit terms.

8. Deferred Contributions for Capital Assets

Deferred contributions for capital assets represent grants received for capital asset purchases. The changes in the deferred contributions for capital assets are as follows:

	2023	2022
Beginning balance	\$ 546,675	\$ 600,451
Amounts recognized as revenue	(54,866)	(53,776)
Ending Balance	\$ 491,809	\$ 546,675

9. Related Party Transactions

During the year, the Museum received a donation of artwork to be added to its collection from a member of the board of directors. The artwork was professionally appraised and an in-kind donation receipt was issued for the professionally appraised fair market value of \$21,323. The donation is included in fundraising and donations revenue in the Statement of Operations, as well as an equal amount in fundraising expenses since the Museum's policy is to carry collections at a nominal amount.

West Parry Sound District Museum Notes to Financial Statements

December 31, 2023

10. Grant Revenue

The Museum received grant revenue from the following sources:

	2023	2022
Ministry of Canadian Heritage	\$ 15,000	\$ 57,711
Ontario Trillium Foundation	28,100	6,577
Ministry of Tourism, Culture, and Sport - CMOG	13,019	13,019
Canadian Museum Association - Youth Canada Works	6,592	-
NOHFC	32,839	9,382
YMCA	1,240	-
Ontario small business grant	-	10,000
	\$ 96,790	\$ 96,689

11. Commitment

The Museum leases its land from the Town of Parry Sound under a long-term lease, expiring October 2026, for a nominal annual rental amount.

12. Financial Assets and Financial Liabilities

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. Available operating line of credit provides flexibility in the short term to meet operational needs. The Company's borrowing arrangements are concentrated with a single Canadian financial institution. In the opinion of management, liquidity risk exposure is low and not material.

Credit risk

The Museum is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable which is comprised primarily of grants receivable. In the opinion of management, credit risk exposure is low and not material.

Interest rate risk

The Museum's interest-bearing assets and liabilities include its operating line of credit and loans. In the opinion of management, interest rate risk exposure is low and not material.