

**MUSEUM OF HEALTH CARE  
AT KINGSTON**

**FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT**

**DECEMBER 31, 2017**





## INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors  
Museum of Health Care at Kingston

We have audited the accompanying financial statements of the Museum of Health Care at Kingston, which comprise the statement of financial position as at December 31, 2017 and the statements of revenue and expenditures, 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.

### **Auditor's 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 auditor's 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 organization'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 organization'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 qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue and cash flows for the years ended December 31, 2017 and December 31, 2016 and net assets as at December 31, 2017 and December 31, 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of these possible effects.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Museum of Health Care at Kingston as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Collins Blay LLP*

Kingston, Ontario  
March 19, 2018

**Chartered Professional Accountants  
Licensed Public Accountants**



# MUSEUM OF HEALTH CARE AT KINGSTON

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current		
Cash	\$ 140,566	\$ 88,782
Investments - Note 2	4,953	29,043
Accounts receivable	1,513	8,660
Prepaid expenses	563	677
HST recoverable	<u>7,601</u>	<u>4,442</u>
	<u>155,196</u>	<u>131,604</u>
Investments held for endowment purposes - Note 2	<u>663,547</u>	<u>626,485</u>
Capital assets - Note 3	<u>60,528</u>	<u>83,451</u>
	<u>\$ 879,271</u>	<u>\$ 841,540</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 14,395	\$ 12,418
Government remittances payable	5,336	4,504
Current portion - Due to Kingston General Hospital - Note 6	<u>7,805</u>	<u>7,805</u>
	<u>27,536</u>	<u>24,727</u>
Deferred contributions - Note 4	<u>12,200</u>	<u>12,171</u>
Deferred capital contributions related to capital assets - Note 5	<u>30,606</u>	<u>61,049</u>
Due to Kingston General Hospital - Note 6	<u>30,727</u>	<u>37,149</u>
	<u>101,069</u>	<u>135,096</u>
<b>NET ASSETS</b>		
Restricted for endowments - Note 2	663,547	626,485
Unrestricted	<u>114,655</u>	<u>79,959</u>
	<u>778,202</u>	<u>706,444</u>
	<u>\$ 879,271</u>	<u>\$ 841,540</u>

Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director



*The accompanying notes are an integral part of these financial statements.*

# MUSEUM OF HEALTH CARE AT KINGSTON

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Restricted for Endowments	Unrestricted	Total
Balance - beginning of the year	\$ 626,485	\$ 79,959	\$ 706,444
Excess revenue for the year	-	66,208	66,208
Allocation of investment income and changes in fair market value	31,512	(31,512)	-
Endowment fund contributions	5,550	-	5,550
Balance - end of the year	\$ 663,547	\$ 114,655	\$ 778,202

	2016		
	Restricted for Endowments	Unrestricted	Total
Balance - beginning of the year	\$ 625,445	\$ 48,537	\$ 673,982
Excess revenue for the year	-	27,402	27,402
Allocation to general operations	(20,000)	20,000	-
Transfer to unrestricted investments	(25,000)	25,000	-
Allocation of investment income and changes in fair market value	40,980	(40,980)	-
Endowment fund contributions	5,060	-	5,060
Balance - end of the year	\$ 626,485	\$ 79,959	\$ 706,444

*The accompanying notes are an integral part of these financial statements.*



# MUSEUM OF HEALTH CARE AT KINGSTON

## STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	Restated 2016
Revenue		
Sustaining patrons	\$ 67,630	\$ 59,945
Partnerships	24,058	37,850
Memberships	5,900	5,126
Donations	120,052	64,518
Program sponsors	15,000	5,000
Exhibit programs	34,708	9,630
Project grants	42,766	25,917
Ministry of Culture grant	24,051	24,051
Investment income - Note 7	10,070	16,924
Operating grant - Kingston Association of Museums	52,418	56,000
Other income	5,434	9,595
Amortization of deferred contributions related to capital assets - Note 5	30,443	31,860
	432,530	346,416
Expenditures		
Advancement program	3,085	3,623
Amortization	22,923	46,277
Amortization of fair value adjustment	1,383	5,570
Curatorial and conservation	3,123	1,430
Dues	544	560
Education	7,277	4,776
Exhibits	40,134	4,320
Insurance	2,259	2,259
Office	7,610	7,950
Offsite storage rental	20,688	19,620
Professional fees	8,107	8,055
Public relations	4,942	1,596
Rent and operating costs - Note 8	59,913	59,693
Salaries and benefits	206,054	179,412
Staff development	917	-
Travel	850	141
	389,809	345,282
Excess revenue for the year	42,721	1,134
Gain on sale of investments	329	27,334
Change in fair market value of investments	23,158	(1,066)
Excess revenue for the year	\$ 66,208	\$ 27,402

*The accompanying notes are an integral part of these financial statements.*



# MUSEUM OF HEALTH CARE AT KINGSTON

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Cash received in the course of operations	\$ 386,139	\$ 293,628
Cash paid for materials and services	(146,632)	(110,895)
Cash paid for salaries and benefits	(206,054)	(173,466)
Interest income	<u>36</u>	<u>290</u>
Cash flows from operating activities	<u>33,489</u>	<u>9,557</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	-	(7,300)
Deferred contributions received related to capital assets	-	1,843
Purchase of investments	(14,484)	(21,968)
Proceeds from sale of investments	25,000	40,024
Contributions of cash for endowment	5,550	5,060
Income received on investments held for endowments	<u>10,034</u>	<u>16,634</u>
Cash flows from investing activities	<u>26,100</u>	<u>34,293</u>
<b>Cash flows from financing activities</b>		
Repayment of loan from Kingston General Hospital	<u>(7,805)</u>	<u>(7,805)</u>
Net increase in cash for the year	51,784	36,045
Cash at the beginning of the year	<u>88,782</u>	<u>52,737</u>
Cash at the end of the year	<u>\$ 140,566</u>	<u>\$ 88,782</u>



*The accompanying notes are an integral part of these financial statements.*

# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The Museum of Health Care at Kingston is a registered charity incorporated on February 3, 1997 without share capital under the laws of Ontario and is exempt from income taxes. The organization was established to promote the understanding and awareness of the history of patient care and medical education in Canada by establishing, maintaining and operating a museum for the benefit of the general public.

### 1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

#### a) Financial instruments

##### *Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable and prepaid expenses. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and the amount due to Kingston General Hospital. Financial assets measured at fair value are revalued at each reporting period with any change recorded in net income.

#### b) Capital assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided using the straight line method over the expected useful life of the assets as follows:

Building service improvement	10 years
Equipment	10 years
Computer equipment	3 years
Computer software	3 years

Costs relating to intangible technologies such as website development are expensed as incurred.

#### c) Revenue recognition

##### **Contributions**

The organization follows the deferral method of accounting for contributions, which include donations and government grants.

Pledged donations are recognized when funds are received.

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.





# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 1. Significant accounting policies (continued)

#### c) Revenue recognition (continued)

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Interest income earned on unspent contributions restricted for the purchase of capital assets is added to the deferred contribution balance.

Endowment contributions are recognized as direct increases in endowment net assets.

#### **Museum operations**

Museum programs and ancillary services revenue are recognized as revenue when the services have been provided or the goods delivered.

#### **Membership fees**

Membership fees are set annually by the Board of Directors and are recognized as revenue proportionately over the fiscal year to which they relate.

#### **Investment income**

Investment income comprises interest, dividends and gains or losses on the sale of investments and is recognized as earned.

#### d) Museum collection

At year end, the collection consisted of approximately 30,000 medical and surgical instruments and artifacts. Purchases of collection items are expensed in the period in which the items are acquired. Due to the specialized nature of the artifacts and the difficulty in determining their fair market value, the value of the collection has not been recognized in the financial statements.

#### e) Contributed materials and services

The work of the organization is dependent on the voluntary contributions of many individuals. Contributed services are only recognized in the financial statements if they are normally purchased by the organization and if the fair market value can be reasonably determined.

#### f) Use of estimates

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates include the useful life of the capital assets and the fair value of the amount due to Kingston General Hospital.



# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 2. Investments

Investments held by the organization at year end consist of mutual funds measured at fair market value. The adjusted cost base of the mutual funds at year end was \$647,496 (2016 - \$657,682).

Investments are classified as follows:

	2017	2016
Current - Unrestricted investments	\$ <u>4,953</u>	\$ <u>29,043</u>
Long-term - Restricted investments for endowment purposes		
Externally restricted	558,978	554,528
Internally restricted	<u>104,569</u>	<u>71,957</u>
	<u>663,547</u>	<u>626,485</u>
	<u>\$ 668,500</u>	<u>\$ 655,528</u>

### 3. Capital assets

	2017			2016
	Cost	Accumulated Amortization	Net	
Building service improvement	\$ 936,314	\$ 878,633	\$ 57,681	\$ 70,711
Equipment	87,597	86,902	695	1,909
Computer equipment	28,226	27,893	333	1,107
Computer software	<u>23,715</u>	<u>21,896</u>	<u>1,819</u>	<u>9,724</u>
	<u>\$ 1,075,852</u>	<u>\$ 1,015,324</u>	<u>\$ 60,528</u>	<u>\$ 83,451</u>

In the prior year, capital assets had an aggregate cost of \$1,075,852 and aggregate accumulated amortization of \$992,401.

### 4. Deferred contributions

Deferred contributions represent restricted operating funding and donations received in the current year that relate to specific expenditures to be made in subsequent years. Changes in the deferred contributions balance are as follows:

	2017	2016
Beginning balance, related to operating funding	\$ 12,171	\$ -
Add: Amount received during the year	20,784	16,355
Less: Amount recognized as revenue in the year	<u>(20,755)</u>	<u>(4,184)</u>
Ending balance, related to operating funding	<u>\$ 12,200</u>	<u>\$ 12,171</u>



# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 5. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of restricted donations with which the organization purchased capital assets. The changes in the deferred contribution balance for the year are as follows:

	2017	2016
Balance - beginning of the year	\$ 61,049	\$ 91,066
Add: Additional contributions received	-	1,843
Less: Amounts amortized to revenue	(30,443)	(31,860)
Balance - end of the year	\$ 30,606	\$ 61,049

### 6. Due to Kingston General Hospital

	2017	2016
Kingston General Hospital, capital repayment agreement, repayable in annual instalments of \$7,805, non-interest bearing, due March, 2023	\$ 46,831	\$ 54,636
Unamortized fair value adjustment	(8,299)	(9,682)
	38,532	44,954
Less: Current portion	(7,805)	(7,805)
	\$ 30,727	\$ 37,149

Principal repayments due within the next five years are as follows:

2018	\$	7,805
2019		7,805
2020		7,805
2021		7,805
2022		7,805
Thereafter		7,806

The fair value was determined based on the present value of the annual payments discounted at 6%. The fair value adjustment is amortized on a straight-line basis over the remaining life of the loan.

### 7. Investment income

Investment income is reported as follows:

	2017	2016
Income earned on unrestricted resources	\$ 826	\$ 290
Income earned on resources held for endowment - unrestricted	9,244	16,634
Total investment income recognized as revenue	\$ 10,070	\$ 16,924



# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 8. Lease commitment

The organization has entered into a lease agreement with Kingston General Hospital for the Anne Baillie Building which expires in March, 2020. The lease requires an annual rental payment of \$2 per year and for the organization to pay operating costs related to the building. For the year April 1, 2017 to March 31, 2018 the amount is \$4,993 per month. A reconciliation of the lease will be performed annually each March 31 and the following year's operating expenses will be provided at that time. Estimated aggregate payments due in the next three years are as follows:

2018	\$ 59,910
2019	59,910
2020	<u>14,979</u>
	<u>\$ 134,799</u>

### 9. Financial instrument risks

The significant financial risks to which the organization is exposed are investment risk and liquidity risk. The organization monitors these risks on an on-going basis through normal operations. Cash balances are held at a major Canadian financial institution.

#### a) Investment risk

Investments are primarily exposed to interest rate, market and foreign currency risk. Fluctuations in the market expose the organization to a risk of loss. The organization has formal policies and procedures that establish a target asset mix in an effort to reduce overall investment risk.

#### b) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

#### Changes in risk

There have been no changes in the organization's risk exposure from the previous year other than those specific matters noted above.

### 10. Contributed services

During the year, \$13,054 (2016 - \$5,946) of contributed services were recognized for summer student wages paid directly by Queen's University as part of the Student Work Experience Program. These amounts are in project grant revenues and salaries and benefits expense.



# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 11. Restatement of prior period

During year end audit work, it was discovered that there were contributed services in prior years that were not recorded. These contributed services relate to the wages for the Student Work Experience Program which were paid directly to the summer students by Queen's University. In 2016, this amounted to \$5,946 of additional revenue in project grants and expenditures in salaries and benefits. There was no effect on net assets.

