

**MUSEUM OF HEALTH CARE  
AT KINGSTON**

**FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT**

**DECEMBER 31, 2018**



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Qualified Opinion**

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, 2018 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Museum of Health Care at Kingston as at December 31, 2018 and the results of its operations and 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 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 these revenues, the excess of revenue over expenditures, net assets and cash flows for the years ended December 31, 2018 and December 31, 2017. The audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of these possible effects.

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 of Health Care at Kingston 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.

### **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 Museum of Health Care at Kingston'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 Museum of Health Care at Kingston or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Museum of Health Care at Kingston'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 of Health Care at Kingston'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 Museum of Health Care at Kingston 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.

Kingston, Ontario  
March 18, 2019

*MNP LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

# MUSEUM OF HEALTH CARE AT KINGSTON

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	2018	2017
<b>ASSETS</b>		
Current		
Cash	\$ 44,787	\$ 140,566
Investments - Note 2	5,012	4,953
Accounts receivable	32,578	1,513
Prepaid expenses	1,194	563
HST recoverable	<u>5,463</u>	<u>7,601</u>
	<u>89,034</u>	<u>155,196</u>
Investments held for endowment purposes - Note 2	<u>645,597</u>	<u>663,547</u>
Capital assets - Note 3	<u>45,267</u>	<u>60,528</u>
	<u>\$ 779,898</u>	<u>\$ 879,271</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 24,047	\$ 14,395
Government remittances payable	2,858	5,336
Current portion - Due to Kingston General Hospital - Note 4	<u>7,805</u>	<u>7,805</u>
	<u>34,710</u>	<u>27,536</u>
Deferred contributions - Note 5	<u>6,906</u>	<u>12,200</u>
Deferred capital contributions related to capital assets - Note 6	<u>18,917</u>	<u>30,606</u>
Due to Kingston General Hospital - Note 4	<u>39,026</u>	<u>30,727</u>
	<u>99,559</u>	<u>101,069</u>
<b>NET ASSETS</b>		
Restricted for endowments - Note 2	645,597	663,547
Unrestricted	<u>34,742</u>	<u>114,655</u>
	<u>680,339</u>	<u>778,202</u>
	<u>\$ 779,898</u>	<u>\$ 879,271</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, 2018

	2018		
	Restricted for Endowments	Unrestricted	Total
Balance - beginning of the year	\$ 663,547	\$ 114,655	\$ 778,202
Excess expenditures for the year	-	(102,683)	(102,683)
Allocation of investment income and changes in fair market value	(22,770)	22,770	-
Endowment fund contributions	<u>4,820</u>	<u>-</u>	<u>4,820</u>
Balance - end of the year	<u>\$ 645,597</u>	<u>\$ 34,742</u>	<u>\$ 680,339</u>

	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	<u>5,550</u>	<u>-</u>	<u>5,550</u>
Balance - end of the year	<u>\$ 663,547</u>	<u>\$ 114,655</u>	<u>\$ 778,202</u>

*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, 2018**

	2018	Restated 2017
Revenue		
Sustaining patrons	\$ 52,420	\$ 67,630
Partnerships	10,565	24,058
Memberships	2,990	5,900
Donations	37,833	120,052
Program sponsors	12,500	15,000
Exhibit programs	7,753	34,708
Project grants	58,899	47,105
Ministry of Culture grant	24,051	24,051
Investment income - Note 7	28,048	10,070
Operating grant - Kingston Association of Museums	48,753	52,418
Other income	4,878	5,434
Amortization of deferred contributions related to capital assets - Note 6	11,689	30,443
	300,379	436,869
Expenditures		
Advancement program	1,679	3,085
Amortization	15,261	22,923
Amortization of fair value adjustment	8,299	1,383
Curatorial and conservation	4,082	3,123
Dues	785	544
Education	1,213	7,277
Exhibits	20,342	40,134
Insurance	2,270	2,259
Office	4,692	7,610
Offsite storage rental	21,820	20,688
Professional fees	8,211	8,107
Public relations	2,079	4,942
Rent and operating costs - Note 8	59,913	59,913
Salaries and benefits	200,232	210,393
Staff development	50	917
Travel	633	850
	351,561	394,148
Excess (expenditures) revenue for the year	(51,182)	42,721
Gain on sale of investments	-	329
Change in fair market value of investments	(51,501)	23,158
Excess (expenditures) revenue for the year	\$ (102,683)	\$ 66,208

*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, 2018

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Cash received in the course of operations	\$ 204,501	\$ 386,139
Cash paid for materials and services	(99,301)	(146,632)
Cash paid for salaries and benefits	(200,232)	(206,054)
Interest income	243	36
Cash flows from operating activities	<u>(94,789)</u>	<u>33,489</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(33,616)	(14,484)
Proceeds from sale of investments	-	25,000
Contributions of cash for endowment	4,820	5,550
Income received on investments held for endowments	27,806	10,034
Cash flows from investing activities	<u>(990)</u>	<u>26,100</u>
<b>Cash flows from financing activities</b>		
Repayment of loan from Kingston General Hospital	-	(7,805)
Net (decrease) increase in cash for the year	(95,779)	51,784
Cash at the beginning of the year	<u>140,566</u>	<u>88,782</u>
Cash at the end of the year	<u>\$ 44,787</u>	<u>\$ 140,566</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, 2018

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, 2018

### 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, 2018

#### 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 \$681,106 (2017 - \$647,496).

Investments are classified as follows:

	2018	2017
Current - Unrestricted investments	\$ 5,012	\$ 4,953
Long-term - Restricted investments for endowment purposes		
Externally restricted	564,724	558,978
Internally restricted	80,873	104,569
	645,597	663,547
	\$ 650,609	\$ 668,500

#### 3. Capital assets

	2018			2017
	Cost	Accumulated Amortization	Net	Net
Building service improvement	\$ 936,314	\$ 891,664	\$ 44,650	\$ 57,681
Equipment	87,597	86,989	608	695
Computer equipment	28,226	28,217	9	333
Computer software	23,715	23,715	-	1,819
	\$ 1,075,852	\$ 1,030,585	\$ 45,267	\$ 60,528

In the prior year, capital assets had an aggregate cost of \$1,075,852 and aggregate accumulated amortization of \$1,015,324.

#### 4. Due to Kingston General Hospital

	2018	2017
Kingston General Hospital, capital repayment agreement, repayable in annual instalments of \$7,805, non-interest bearing, due March, 2023	\$ 46,831	\$ 46,831
Unamortized fair value adjustment	-	(8,299)
	46,831	38,532
Less: Current portion	(7,805)	(7,805)
	\$ 39,026	\$ 30,727

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

2019	\$ 7,805
2020	7,805
2021	7,805
2022	7,805
2023	7,806
Total	\$ 39,026

## MUSEUM OF HEALTH CARE AT KINGSTON

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

#### 5. 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:

	2018	2017
Beginning balance, related to operating funding	\$ 12,200	\$ 12,171
Add: Amount received during the year	3,906	20,784
Less: Amount recognized as revenue in the year	(9,200)	(20,755)
Ending balance, related to operating funding	\$ 6,906	\$ 12,200

#### 6. 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:

	2018	2017
Balance - beginning of the year	\$ 30,606	\$ 61,049
Add: Additional contributions received	-	-
Less: Amounts amortized to revenue	(11,689)	(30,443)
Balance - end of the year	\$ 18,917	\$ 30,606

#### 7. Investment income

Investment income is reported as follows:

	2018	2017
Income earned on unrestricted resources	\$ 243	\$ 826
Income earned on resources held for endowment - unrestricted	27,805	9,244
Total investment income recognized as revenue	\$ 28,048	\$ 10,070

#### 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, 2018 to March 31, 2019 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 two years are as follows:

2019	\$ 59,910
2020	14,979
	\$ 74,889

# MUSEUM OF HEALTH CARE AT KINGSTON

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 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, \$19,782 (2017 - \$17,393) of contributed services were recognized for summer student wages paid directly by Queen's University as part of the Student Work Experience Program and Work Study Program. These amounts are included in project grant revenues and salaries and benefits expense.

### 11. Restatement of prior period

During the year, management discovered that there were contributed services in the prior year that were not recorded. These contributed services relate to the wages for the Work Study Program which were paid directly to the students by Queen's University. In 2017, this amounted to \$4,338 of additional revenue in project grants and expenditures in salaries and benefits. There was no effect on net assets.