

Museum of Health Care at Kingston
Financial Statements
December 31, 2021

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

Qualified Opinion

We have audited the financial statements of Museum of Health Care at Kingston (the "Museum"), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenses, changes in net assets 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 Museum as at December 31, 2021, 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 Qualified Opinion

In common with many not-for-profit organizations, the Museum 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 Museum. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and cash flows from operations for the year ended December 31, 2021, current assets as at December 31, 2021 and net assets as at January 1 and December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2020 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 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 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'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 or to cease operations, or has no realistic alternative but 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.

Kingston, Ontario
April 11, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Museum of Health Care at Kingston

Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Current		
Cash	49,053	81,030
Accounts receivable	34,654	28,758
Investments <i>(Note 3)</i>	55,218	29,754
Prepaid expenses	9,722	10,120
HST recoverable	4,027	3,864
	152,674	153,526
Restricted investments <i>(Note 3)</i>	759,008	729,400
Capital assets <i>(Note 4)</i>	16,513	29,423
	928,195	912,349
Liabilities		
Current		
Accounts payable and accrued liabilities	12,265	16,003
Government remittances payable	2,738	1,893
Current portion - Due to Kingston Health Sciences Centre <i>(Note 5)</i>	7,805	7,805
	22,808	25,701
Deferred contributions <i>(Note 6)</i>	-	34,716
Deferred contributions related to capital assets <i>(Note 7)</i>	4,031	5,655
Due to Kingston Health Sciences Centre <i>(Note 5)</i>	39,026	39,026
	65,865	105,098
Net Assets		
Restricted	859,008	729,400
Unrestricted	3,322	77,851
	862,330	807,251
	928,195	912,349

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 Revenues and Expenses

For the year ended December 31, 2021

	2021	2020
Revenue		
Sustaining patrons	46,500	111,445
Memberships	475	2,460
Donations	21,817	53,188
Project grants	67,103	30,553
Ministry of Culture grant	30,477	24,051
Investment income <i>(Note 9)</i>	14,064	5,498
Operating grant - Kingston Association of Museums	59,027	50,847
Other income	7,467	3,978
Amortization of deferred contributions <i>(Note 7)</i>	1,624	4,964
	248,554	286,984
Expenses		
Advancement program expenses	8,593	6,460
Amortization	12,910	6,251
Curatorial and conservation	3,067	5,088
Dues	471	892
Education	324	423
Insurance	2,304	2,239
Office	4,387	2,482
Offsite storage rental	22,302	22,034
Professional fees	9,231	8,731
Public relations	941	947
Rent and operating costs <i>(Note 10)</i>	59,913	59,913
Salaries and benefits	165,389	141,183
Staff development	386	-
Travel	75	19
	290,293	256,662
Excess (deficiency) of revenues over expenditures for the year	(41,739)	30,322
Other items		
Gain on sale of investments	3,130	1,827
Change in fair market value of investments	28,696	41,047
Government assistance <i>(Note 13)</i>	55,712	47,144
	87,538	90,018
Excess of revenue over expenses	45,799	120,340

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, 2021

	<i>Restricted</i>	<i>Unrestricted</i>	2021	<i>2020</i>
Net assets, beginning of year	729,400	77,851	807,251	686,565
Excess of revenue over expenses	-	45,799	45,799	120,340
Allocation of investment income and changes in fair market value	45,739	(45,739)	-	-
Transfer to unrestricted investments <i>(Note 8)</i>	(25,411)	25,411	-	-
Transfer to internally restricted <i>(Note 8)</i>	100,000	(100,000)	-	-
Contributions	9,280	-	9,280	346
Net assets, end of the year	859,008	3,322	862,330	807,251

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, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Cash received in the course of operations	233,402	311,853
Cash receipts from unrestricted investment income	150	124
Cash paid for program service expenses	(116,344)	(117,787)
Cash paid for salaries and benefits	(157,154)	(123,683)
Cash flow from operating activities	(39,946)	70,507
Investing		
Purchase of capital assets	-	(3,067)
Purchase of investments	(15,246)	(65,775)
Restricted contributions	9,280	346
Income received on restricted investments	13,914	5,374
Cash flows from investing activities	7,948	(63,122)
Increase (decrease) in cash resources	(31,998)	7,385
Cash resources, beginning of year	81,030	73,647
Cash resources, end of year	49,053	81,030

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, 2021

1. Incorporation and nature of the organization

Museum of Health Care at Kingston (the "Museum") is incorporated without share capital and is a registered charity and thus is exempt from income taxes under section 149 of the Income Tax Act ("the Act").

The Museum 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.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Financial instruments

The Museum recognizes its financial instruments when the Museum becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Museum may irrevocably elect to subsequently measure any financial instrument at fair value.

The Museum subsequently measures all investments in equity instruments quoted in an active market at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization and accumulated impairment losses. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method over the expected useful life of the asset as follows:

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

Revenue recognition

Contributions

The Museum 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.

Restricted contributions are recognized as revenue in the year in which the related expenses 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 net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

2. Significant accounting policies (Continued)

Museum operations

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

Revenue from Museum operations is recognized in the year in which the service is provided.

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.

Collections

The value of the collection of approximately 30,000 medical and surgical instruments and artifacts has been excluded from the statement of financial position. Purchases of collection items are expensed in the period acquired. Contributions of collection items are reported as revenue at their fair value based on market value. When fair value cannot be determined, the contribution is recorded at its nominal value.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Museum's operations and would otherwise have been purchased.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 assets and liabilities at the date of the financial statements, and the reported amounts of revenues over expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods 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 Health Sciences Centre.

Government assistance

Government assistance, which includes wage subsidies, is recognized in revenue in the same period as the related expenses.

Museum of Health Care at Kingston
Notes to the Financial Statements
For the year ended December 31, 2021

3. Investments

Investments held by the Museum at year end consist of mutual funds measured at fair market value. The adjusted cost base of the mutual funds at year end was \$705,653 (2020 - \$687,277)

	2021	2020
Unrestricted investments	55,218	29,754
Long-term - Restricted investments		
Externally restricted endowment funds	578,405	569,125
Internally restricted	180,603	160,275
	759,008	729,400

4. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Building service improvement	936,314	922,602	13,712	26,229
Computer equipment	28,226	28,226	-	-
Computer software	23,715	23,715	-	-
Equipment	90,664	87,863	2,801	3,194
	1,078,919	1,062,406	16,513	29,423

In the prior year, capital assets had an aggregate cost of \$1,078,919 and aggregate accumulated amortization of \$1,049,496.

5. Due to Kingston Health Sciences Centre

Kingston Health Sciences Centre, capital repayment agreement, repayable in annual installments of \$7,805, non-interest bearing, due March, 2024. No repayments were made during the year.

6. 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. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2021	2020
Beginning balance, related to operating funding	34,716	339
Amount received during the year	-	34,716
Less: Amount recognized as revenue during the year	(34,716)	(339)
Ending balance, related to operating funding	-	34,716

Museum of Health Care at Kingston
Notes to the Financial Statements
For the year ended December 31, 2021

7. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of restricted donations received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2021	2020
Balance, beginning of year	5,655	7,552
Add: Amounts received during the year	-	3,067
Less: Amounts recognized as revenue during the year	(1,624)	(4,964)
Balance, end of year	4,031	5,655

8. Net asset transfers

During the year, the Museum transferred \$25,411 (2020 - \$24,590) from restricted investments to unrestricted investments, in accordance with internal policies approved by the Board of Directors.

As at December 31, 2021, the Museum's Board of Directors approved a transfer of \$100,000 (2020 - \$nil) from unrestricted to internally restricted net assets for the purpose of establishing a new Internally Restricted Fiscal Strength Fund.

9. Investment income

Investment income earned is reported as follows:

	2021	2020
Income earned on unrestricted resources	150	124
Income earned on restricted resources	13,914	5,374
Total investment income recognized as revenue	14,064	5,498

10. Commitments

The Museum entered into a lease agreement with Kingston Health Sciences Centre for the Ann Baillie Building which expired in March, 2020, and is now a month to month lease. The original lease required an annual rental payment of \$2 per year and for the Museum to pay operating costs related to the building. For the year April 1, 2021 to March 31, 2022 the amount is expected to be \$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.

11. Financial instruments

The Museum, as part of its operations, carries a number of financial instruments. It is management's opinion that the Museum is not exposed to significant interest, currency, credit, or other price risks arising from these financial instruments except as otherwise disclosed.

Investment risk

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

Liquidity risk

Liquidity risk is the risk that the Museum will encounter difficulty in meeting obligations associated with financial liabilities. The Museum enters into transactions to purchase goods and services on credit and borrow funds from financial institutions or other creditors, for which repayment is required at various maturity dates. The Museum 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 Museum's risk exposure from the previous year other than those specific matters noted above.

12. Contributed services

Included in project grant revenues and salaries in benefits in the statement of operations is \$8,235 (2020 – \$17,500) representing the estimated fair value of a contribution of summer student wages paid directly by Queen's University as part of the Student Work Experience Program and Work Study Program.

13. Significant event

Since March 2020 there has been a global outbreak of COVID-19, which continues to have a significant impact on businesses and community organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Museum as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

During the year, the Museum applied for and received assistance under the Government of Canada's Emergency Wage Subsidy (CEWS) of \$55,712 (2020 - \$47,144).