

Museum of Health Care at Kingston
Financial Statements
December 31, 2019

Independent Auditor's Report

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, 2019, 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 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, 2019, 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 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 year ended December 31, 2019. The audit opinion on the financial statements for the year ended December 31, 2018 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

June 8, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Museum of Health Care at Kingston

Statement of Financial Position

As at December 31, 2019

	2019	2018
Assets		
Current		
Cash	73,647	77,365
Investments (Note 3)	5,130	5,012
Prepaid expenses	3,807	1,194
HST recoverable	4,370	5,463
	86,954	89,034
Investments held for endowment purposes (Note 3)	645,405	645,597
Capital assets (Note 4)	32,607	45,268
	764,966	779,899
Liabilities		
Current		
Accounts payable and accrued liabilities	20,276	24,048
Government remittances payable	3,403	2,858
Current portion - Due to Kingston General Hospital (Note 5)	7,805	7,805
	31,484	34,711
Deferred contributions (Note 6)	339	6,906
Deferred contributions related to capital assets (Note 7)	7,552	18,917
Due to Kingston General Hospital (Note 5)	39,026	39,026
	78,401	99,560
Subsequent event (Note 13)		
Net Assets		
Restricted for Endowments (Note 3)	705,405	645,597
Unrestricted	(18,840)	34,742
	686,565	680,339
	764,966	779,899

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, 2019

	2019	2018
Revenue		
Sustaining patrons	93,385	52,420
Partnerships	10,000	10,565
Memberships	2,095	2,990
Donations	13,436	37,833
Program sponsors	7,500	12,500
Exhibit programs	624	7,753
Project grants	46,845	58,899
Ministry of Culture grant	24,051	24,051
Investment income <i>(Note 8)</i>	13,415	28,048
Operating grant - Kingston Association of Museums	54,841	48,753
Other income	6,805	4,878
Amortization of deferred contributions <i>(Note 7)</i>	11,365	11,689
	284,362	300,379
Expenses		
Advancement program expenses	5,177	1,679
Amortization	12,660	15,261
Amortization of fair value adjustment	-	8,299
Curatorial and conservation	4,572	4,082
Dues	820	785
Education	1,630	1,213
Exhibits	821	20,342
Insurance	2,169	2,270
Office	5,979	4,692
Offsite storage rental	21,807	21,820
Professional fees	8,315	8,211
Public relations	894	2,079
Rent and operating costs <i>(Note 9)</i>	59,913	59,913
Salaries and benefits	218,472	200,232
Staff development	1,331	50
Travel	2,601	633
	347,161	351,561
Excess expenditures for the year	(62,799)	(51,182)
Other items		
Gain on sale of investments	3,730	-
Change in fair market value of investments	61,330	(51,501)
Excess (deficiency) of revenue over expenses	2,261	(102,683)

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, 2019

	<i>Restricted for Endowments</i>	<i>Unrestricted</i>	2019	<i>2018</i>
Net assets, beginning of year	645,597	34,742	680,339	778,202
Excess (deficiency) of revenue over expenses	-	2,261	2,261	(102,683)
Allocation of investment income and changes in fair market value	78,353	(78,353)	-	-
Transfer to unrestricted investments	(22,510)	22,510	-	-
Endowment contributions	3,965	-	3,965	4,820
Balance - end of the year	705,405	(18,840)	686,565	680,339

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Cash received in the course of operations	232,125	237,079
Cash receipts from unrestricted investment income	222	243
Cash paid for program service expenses	(120,747)	(119,083)
Cash paid for salaries and benefits	(197,582)	(180,450)
Cash flow from operating activities	(85,982)	(62,211)
Investing		
Purchase of investments	(17,404)	(33,616)
Proceeds from sale of investments	82,510	-
Endowment contributions	3,965	4,820
Income received on investments held for endowments	13,193	27,806
Cash flows from investing activities	82,264	(990)
Decrease in cash resources	(3,718)	(63,201)
Cash resources, beginning of year	77,365	140,566
Cash resources, end of year	73,647	77,365

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, 2019

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

The 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.

Museum of Health Care at Kingston

Notes to the Financial Statements

For the year ended December 31, 2019

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 and 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 General Hospital.

Adoption of new and amended standards

Effective January 1, 2019, the Museum adopted the Accounting Standard Board's (AcSB) recommendations related to accounting standards improvements for not-for-profit organizations:

- Section 4433 Tangible Capital Assets Held by not-for-profit organizations
- Section 4441 Collections Held by not-for-profit organization

Pursuant to the recommendations, these changes were applied prospectively and prior periods have not been restated. There was no material impact on the financial statements resulting from adopting the new standards.

Museum of Health Care at Kingston
Notes to the Financial Statements
For the year ended December 31, 2019

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 \$619,701 (2018 - \$681,106)

	2019	2018
Unrestricted investments	5,130	5,012
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Long-term - Restricted investments for endowment purposes:		
Externally restricted	568,889	564,724
Internally restricted	76,516	80,873
	645,405	645,597

During the year, \$60,000 of restricted endowment funds were withdrawn to cover Museum operations. Subsequent to year end, on March 10, 2020, this amount was repaid to the endowment fund.

4. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Building service improvement	936,314	904,228	32,086	44,651
Computer equipment	28,226	28,226	-	9
Computer software	23,715	23,715	-	-
Equipment	87,597	87,076	521	608
	1,075,852	1,043,245	32,607	45,268

In the prior year, capital assets had an aggregate cost of \$1,075,852 and aggregate accumulated amortization of \$1,030,584.

5. Due to Kingston General Hospital

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

Museum of Health Care at Kingston
Notes to the Financial Statements
For the year ended December 31, 2019

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:

	2019	2018
Beginning balance, related to operating funding	6,906	12,200
Amount received during the year	-	3,906
Less: Amount recognized as revenue during the year	(6,567)	(9,200)
Ending balance, related to operating funding	339	6,906

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:

	2019	2018
Balance, beginning of year	18,917	30,606
Less: Amounts recognized as revenue during the year	(11,365)	(11,689)
Balance, end of year	7,552	18,917

8. Investment income

Investment income earned is reported as follows:

	2019	2018
Income earned on unrestricted resources	222	243
Income earned on resources held for endowment:		
Unrestricted	13,193	27,805
Total investment income recognized as revenue	13,415	28,048

9. Commitments

The Museum 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 Museum to pay operating costs related to the building. For the year April 1, 2019 to March 31, 2020 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 payment due in the next year is as follows:

2020	14,979
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10. 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.

11. Contributed services

Included in project grant revenues and salaries in benefits in the statement of operations is \$20,890 (2018 – \$19,782) 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.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

13. Subsequent event

Subsequent to December 31, 2019, the Museum's operations have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This event has had a significant financial, market and social distancing impact on the Museum.

As of the end of March 2020, the Museum complied with the Government of Ontario's requirements for non-essential business closures and has been closed to the public with staff working from home. The months of March, April and May 2020 have shown revenue decreases as compared to these periods from the previous year. The Museum has experienced temporary declines in the fair market value of its investments and investment income.

The Museum has applied for assistance under the Government of Canada's CEWS and TWS wage subsidy programs.

These factors all present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.