

Museum of Health Care at Kingston
Financial Statements
December 31, 2023

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, 2023, and the statements of operations, 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, 2023, 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 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 the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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 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

March 11, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Museum of Health Care at Kingston

Statement of Financial Position

As at December 31, 2023

	2023	2022
Assets		
Current		
Cash	68,718	47,376
Accounts receivable	2,225	-
Investments (Note 3)	650	32,126
Prepaid expenses	10,973	10,730
Inventory	-	1,834
HST recoverable	4,489	4,417
	87,055	96,483
Restricted investments (Note 3)	654,989	659,605
Capital assets (Note 4)	2,014	2,407
	744,058	758,495
Liabilities		
Current		
Accounts payable and accrued liabilities	52,967	15,192
Government remittances payable	5,616	3,580
Current portion - Due to Kingston Health Sciences Centre (Note 5)	-	7,805
	58,583	26,577
Deferred contributions (Note 6)	11,129	-
Deferred contributions related to capital assets (Note 7)	2,014	2,407
Due to Kingston Health Sciences Centre (Note 5)	-	39,026
	71,726	68,010
Net Assets		
Restricted	654,989	659,605
Unrestricted	17,343	30,880
	672,332	690,485
	744,058	758,495

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, 2023

	2023	2022
Revenue		
Sustaining patrons	81,361	39,469
Memberships	820	2,065
Donations	46,387	24,189
Project grants	63,413	31,909
Ministry of Culture grant	24,051	24,051
Investment income <i>(Note 8)</i>	22,697	30,490
Operating grant - Kingston Association of Museums	63,641	62,676
Other income	12,901	7,442
Amortization of deferred contributions <i>(Note 7)</i>	393	1,624
	315,664	223,915
Expenses		
Advancement program expenses	7,491	5,661
Amortization	394	14,106
Curatorial and conservation	7,470	5,554
Dues	1,046	918
Postage	64	-
Education	838	1,550
Exhibits	842	1,080
Insurance	3,024	2,757
Office	5,211	6,012
Offsite storage rental	23,975	20,828
Professional fees	27,770	11,476
Public relations	1,197	424
Rent and operating costs <i>(Note 10)</i>	59,911	59,913
Salaries and benefits	281,600	234,483
Staff development	369	463
Special events - programs	1,180	-
Gift shop stock	5,046	-
Travel	1,072	228
	428,500	365,453
Deficiency of revenues over expenditures for the year	(112,836)	(141,538)
Other items		
Gain on sale of investments	414	1,972
Change in fair market value of investments	42,418	(120,468)
Government COVID assistance <i>(Note 13)</i>	-	72,489
Loan forgiveness - Kingston Health Sciences Centre <i>(Note 5)</i>	46,831	-
	89,663	(46,007)
Deficiency of revenues over expenses	(23,173)	(187,545)

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, 2023

	<i>Restricted</i>	<i>Unrestricted</i>	2023	<i>2022</i>
Net assets, beginning of year	659,605	30,880	690,485	862,330
Deficiency of revenues over expenses	-	(23,173)	(23,173)	(187,545)
Allocation of investment income and changes in fair market value	64,113	(64,113)	-	-
Transfer to unrestricted <i>(Note 9)</i>	(73,749)	73,749	-	-
Contributions	5,020	-	5,020	15,700
Net assets, end of the year	654,989	17,343	672,332	690,485

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, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating		
Cash received in the course of operations	298,923	298,965
Cash paid for program service expenses	(116,662)	(106,848)
Cash paid for salaries and benefits	(273,365)	(230,655)
Cash flow from operating activities	(91,104)	(38,538)
Investing		
Purchase of investments	(20,020)	(9,329)
Proceeds from sale of investments	105,749	-
Restricted contributions	4,020	15,700
Income received on investments	22,697	30,490
Cash flows from investing activities	112,446	36,861
Increase (decrease) in cash resources	21,342	(1,677)
Cash resources, beginning of year	47,376	49,053
Cash resources, end of year	68,718	47,376

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, 2023

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 financial instruments when the Museum becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Museum may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Museum has not made such an election during the year.

The Museum subsequently measures all arm's length financial assets and liabilities at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Museum initially measures all financial instruments originated or issued in a related party transaction ("related party financial instruments") at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess (deficiency) of revenue over expenses.

Financial asset impairment

The Museum assesses impairment of all its financial assets measured at cost or amortized cost. The Museum groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Museum determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments initially measured at cost, the Museum reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

2. Significant accounting policies (Continued)

For related party debt instruments initially measured at cost, the Museum reduces the carrying amount of the asset to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Museum reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses in the year the reversal occurs.

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.

Unrestricted contributions and donations 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.

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 received.

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 Museum's collection of 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.

Museum of Health Care at Kingston

Notes to the Financial Statements

For the year ended December 31, 2023

2. Significant accounting policies (Continued)

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, or as received if not related to the funding of specific expenses.

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 \$633,100 (2022 - \$696,623).

	2023	2022
Unrestricted investments	650	32,126
Long-term - Restricted investments		
Externally restricted endowment funds	599,125	594,105
Internally restricted	55,864	65,500
	654,989	659,605

4. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Building service improvement	936,314	936,314	-	-
Equipment	90,664	88,650	2,014	2,407
Computer equipment	28,226	28,226	-	-
Computer software	23,715	23,715	-	-
	1,078,919	1,076,905	2,014	2,407

In the prior year, capital assets had an aggregate cost of \$1,078,919 and aggregate accumulated amortization of \$1,076,512.

Museum of Health Care at Kingston Notes to the Financial Statements

For the year ended December 31, 2023

5. Due to Kingston Health Sciences Centre

The amount due to Kingston Health Sciences Centre is a capital repayment agreement, repayable in annual instalments of \$7,805, non-interest bearing, due March, 2024. During the year, the loan was forgiven and recognized in other income in the amount of \$46,831. The loan payable balance is \$Nil at year end.

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:

	2023	2022
Balance, beginning of year	-	-
Amount received during the year	20,555	-
Less: Amount recognized as revenue during the year	(9,426)	-
Ending balance, related to operating funding	11,129	-

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:

	2023	2022
Balance, beginning of year	2,407	4,031
Less: Amounts recognized as revenue during the year	(393)	(1,624)
Balance, end of year	2,014	2,407

8. Investment income

Investment income earned is reported as follows:

	2023	2022
Income earned on unrestricted resources	1,221	946
Income earned on restricted resources	21,476	29,544
Total investment income recognized as revenue	22,697	30,490

9. Net asset transfers

During the year, the Museum transferred \$73,749 (2022 - \$26,151) from restricted investments to unrestricted assets, in accordance with internal policies approved by the Board of Directors.

Museum of Health Care at Kingston

Notes to the Financial Statements

For the year ended December 31, 2023

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, 2023 to March 31, 2024, 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 revenues and expenses is \$10,230 (2022 – \$3,828) 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 continued 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 \$Nil (2022 - \$Nil). In addition, the Museum received COVID related funding amounting to \$Nil (2022-\$62,489) and Ontario Small Business Grant support of \$Nil (2022 - \$10,000).