

**NIAGARA HISTORICAL SOCIETY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

**NIAGARA HISTORICAL SOCIETY
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YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Niagara Historical Society

Qualified Opinion

We have audited the financial statements of Niagara Historical Society (the Society), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, revenues and expenditures "museum and society combined" 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 Society 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 charitable organizations, and consistent with prior years, the society expenses capital assets against operations, and does not amortize capitalized assets over their useful life. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The current and prior year capital expense is disclosed in Note 4; however the cumulative effect of this departure from Canadian accounting standards for not-for-profit organizations has not been determined.

As well, the Society derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly.

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 Society 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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.

Independent Auditor's Report to the Members of Niagara Historical Society *(continued)*

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

St. Catharines, Ontario
May 26, 2022

Bridgman and Durksen
**CHARTERED PROFESSIONAL ACCOUNTANTS
PROFESSIONAL CORPORATION**
Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

**NIAGARA HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT		
Cash (Note 3)	\$ 604,123	\$ 353,313
Term deposits	100,295	100,473
Accounts receivable	11,495	30,186
Prepaid expenses	2,532	2,827
	<u>718,445</u>	<u>486,799</u>
MUSEUM COLLECTIONS (Note 2)	<u>1</u>	<u>1</u>
	<u>\$ 718,446</u>	<u>\$ 486,800</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,536	\$ 13,488
Deferred revenue (Note 6)	75,321	126,271
	<u>86,857</u>	<u>139,759</u>
CANADA EMERGENCY BUSINESS ACCOUNT (Note 9)	-	40,000
DEFERRED CAPITAL CAMPAIGN (Note 7)	<u>241,320</u>	<u>-</u>
	<u>328,177</u>	<u>179,759</u>
NET ASSETS		
GENERAL FUND	250,376	307,041
CAPITAL CAMPAIGN	<u>139,893</u>	<u>-</u>
	<u>390,269</u>	<u>307,041</u>
	<u>\$ 718,446</u>	<u>\$ 486,800</u>

Approved on behalf of the Board

_____ *Director*

_____ *Director*

See notes to financial statements

NIAGARA HISTORICAL SOCIETY
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUES		
Municipal grants	\$ 264,935	\$ 264,935
Federal and provincial grants	167,373	286,921
Donations (Note 8)	144,253	46,445
Event fundraising	58,894	34,260
Gift shop sales	26,210	14,180
Harmonized sales tax refunds	21,456	23,011
Memberships	13,230	15,915
Programs and events	7,552	360
Admissions and tours	4,732	2,878
Special projects and other	2,185	1,288
Interest revenue	1,331	2,021
	<u>712,151</u>	<u>692,214</u>
EXPENSES		
Staff salaries and benefits	277,544	235,005
Capital assets purchased with designated revenues (Note 4)	113,559	149,000
Event fundraising	45,170	24,603
Administration	38,464	37,940
Maintenance and utilities	35,921	32,742
Curatorial	21,224	2,916
Harmonized sales tax	21,033	29,750
Programs and events	19,880	23,773
Advertising and website	19,711	13,661
Gift shop merchandise	11,383	10,128
Niagara Community Foundation endowment	10,160	-
Exhibition	5,230	5,307
Planning studies and other	5,025	9,572
Publishing and education	4,619	476
	<u>628,923</u>	<u>574,873</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 83,228</u>	<u>\$ 117,341</u>

**NIAGARA HISTORICAL SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021**

	General Fund	Capital Campaign	2021	2020
NET ASSETS - beginning of year	\$ 307,041	\$ -	\$ 307,041	\$ 189,700
Excess (deficiency) of revenue over expenses	83,228	-	83,228	117,341
Transfer to Capital Campaign	(139,893)	139,893	-	-
NET ASSETS - end of year	\$ 250,376	\$ 139,893	\$ 390,269	\$ 307,041

Transfers to the Capital Campaign fund represent internally restricted funds for specific capital use.

**NIAGARA HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	<u>\$ 83,228</u>	<u>\$ 117,341</u>
Changes in non-cash working capital:		
Accounts receivable	18,691	(13,449)
Prepaid expenses	295	800
Accounts payable and accrued liabilities	(1,954)	7,449
Deferred revenue (Note 6)	(50,950)	11,322
Deferred capital campaign (Note 7)	<u>241,320</u>	<u>-</u>
	<u>207,402</u>	<u>6,122</u>
	<u>290,630</u>	<u>123,463</u>
INVESTING ACTIVITY		
Term deposits	<u>178</u>	<u>33,757</u>
FINANCING ACTIVITY		
Canada Emergency Business Account (Note 9)	<u>(40,000)</u>	<u>40,000</u>
INCREASE IN CASH FLOW	250,808	197,220
CASH - BEGINNING OF YEAR	<u>353,315</u>	<u>156,095</u>
CASH - END OF YEAR (Note 3)	<u>\$ 604,123</u>	<u>\$ 353,315</u>

**NIAGARA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

1. ORGANIZATION PROFILE

The Niagara Historical Society, the "Society", owns and operates a museum and provides various community programs and services relating to the history of Niagara-on-the-Lake. The Society operates as the Niagara-on-the-Lake Museum.

The corporation is a registered charity and therefore is exempt from income tax under Section 149 (1)(f) of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and cash equivalents

Cash and cash equivalents consists of funds on hand and funds held at the Niagara-on-the-Lake Museum's financial institution.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Capital assets

Capital assets are recorded as expenses in the year they are acquired. The organization's major categories of capital assets include the property and building, furniture and fixtures, office equipment, and computer equipment.

Inventory

The Museum consistently expenses all purchases when made, and as a result, these assets are not reflected on the balance sheet.

Revenue recognition

Niagara Historical Society follows the deferral method of accounting for contributions.

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

Donation, fundraising and gift shop revenue are recognized on a cash basis.

(continues)

**NIAGARA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

Niagara Historical Society follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the General Fund.

The Capital Campaign Fund reports the net assets internally restricted for capital assets and building improvements campaign.

Contributed services and in-kind donations

Volunteers contribute numerous hours each year to assist the Museum in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Donations in-kind are not recorded as income, or expense in the financial statements.

Investments

Short term investments, which consist primarily of term deposits with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost.

Marketable securities are recorded at cost. Due to their short term nature, any gains or losses will be recorded when the asset is subsequently sold.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Museum collections

The Museum holds a collection of Niagara-on-the-Lake material culture that includes early textiles, furniture, militaria and archives that range from early Upper Canadian history to the tourism, business and agricultural history of the post World War II period. The Museum has recognized collections at a nominal value of \$1. The fair value of collections are not reasonably determinable, therefore the specific value of any contributed collection items have not been recorded.

3. CASH

	<u>2021</u>	<u>2020</u>
Museum - savings	\$ 94,553	\$ 94,506
Museum - operating	258,835	258,330
Petty cash	409	410
Lottery	59	69
Capital Campaign Account	250,267	-
Total	<u>\$ 604,123</u>	<u>\$ 353,315</u>

**NIAGARA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

4. CAPITAL ASSETS

In accordance with Part III of the CPA Canada Handbook, the Museum is required to capitalize long-term assets. In common with many not-for-profit organizations and consistent with prior years, the Museum expenses capital assets against operations, and does not amortize capitalized assets over their useful life. Capital assets expensed against operations in the year were:

	<u>2021</u>	<u>2020</u>
Tiny Museum project	\$ 3,261	\$ 113,546
Architectural and design, soil testing, structural analysis	<u>110,298</u>	<u>35,454</u>
	<u>\$ 113,559</u>	<u>\$ 149,000</u>

The Museum has in place an insurance policy to cover the replacement of building and contents, and this value is reviewed by the board on a regular basis.

5. DONATIONS IN KIND

Donations in kind include items donated for fundraising or for items of historical significance that are issued donation receipts for their appraised value. During the year \$2,921 (2020 - \$26,427) in donation receipts were issued for donations in kind.

6. DEFERRED REVENUE

The deferred revenue reported on the balance sheet represents operating funding that is related to the subsequent year.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 126,271	\$ 114,949
Less amounts recognized as revenue during the year	(85,687)	(104,991)
Add amounts received and deferred for:		
Digitization	28,340	-
Tiny Museum	6,397	88,153
Endowment fund contribution	-	10,160
Program and event sponsorships	-	18,000
	<u>\$ 75,321</u>	<u>\$ 126,271</u>
Balance, end of year		

7. DEFERRED CAPITAL CAMPAIGN - future expansion

The deferred revenue for capital campaign expenditures reported on the balance sheet represents long term funding and donations for the future expansion of the museum building that have been received, but not yet expended. Revenue deferred is subsequently recognized in the year that related expenses are incurred.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ -	\$ -
Add amounts received and deferred	241,320	-
Less amounts recognized as revenue during the year:	-	-
	<u>\$ 241,320</u>	<u>\$ -</u>
Balance, end of year		

**NIAGARA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

8. ENDOWMENT CONTRIBUTIONS

The Museum established "The Niagara-on-the-Lake Museum Fund" as a permanent endowment within the Niagara Community Foundation. The Museum is the sole beneficiary of the endowment fund; however this externally managed endowment is not reflected in the assets of the Museum.

The endowment fund consists of donations contributed by the Museum, directed contributions by third parties, and earnings net of distributions. The Niagara Community Foundation determines the annual distributable earnings to the Museum, of which will be recorded as revenues when received. Interest paid out from the fund to the Museum is restricted for Museum operations. To date, the Museum has contributed a total of \$20,160 to the endowment fund.

Total donations received from the endowment in the year were \$403 (2020 - \$447).

9. CANADA EMERGENCY BUSINESS ACCOUNT

The Canada Emergency Business Account (CEBA) provides an interest-free loan of up to \$60,000 to small businesses to help cover operating costs during a period where their revenues have been temporarily reduced due to the economic impacts of the COVID-19 virus.

The Museum received \$40,000 of the available facility and has repaid the loan portion of \$30,000 during the year. The \$10,000 grant portion of this loan has been recognized as income in the current year.

10. FINANCIAL INSTRUMENTS

The Museum's financial instruments consist of cash, short term investments, accounts receivable, accounts payable, accrued liabilities, and employee deductions payable. The fair market value of these financial instruments approximate their carrying values, unless otherwise noted.

Liquidity and operations risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization's exposure to liquidity risk is dependent on the receipt of funds from its donors and grantors. The organization's relies on continued operational cash flow together with the availability of its term deposits minimize exposure to this risk.

Unless otherwise noted, it is the Board of Directors' opinion that the organization is not exposed to significant interest rate, currency, or credit risks arising from these financial instruments.