

MUSÉE BYTOWN MUSEUM

FINANCIAL STATEMENTS

DECEMBER 31, 2016

MUSÉE BYTOWN MUSEUM

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Musée Bytown Museum

We have audited the accompanying financial statements of Musée Bytown Museum, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

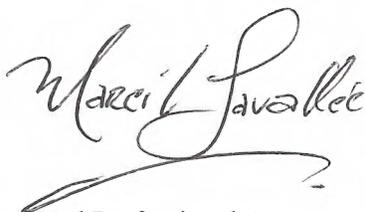
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Musée Bytown Museum derives revenue from boutique and cafe sales, admissions, donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Musée Bytown Museum. Therefore, we were not able to determine whether any adjustments might be necessary to these sources of revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015 and net assets as at December 31, 2016 and 2015 and January 1, 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

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 Musée Bytown Museum as at December 31, 2016, 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.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
April 25, 2017

MUSÉE BYTOWN MUSEUM

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

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| | 2016 | 2015 |
|--------------------------------------------|-------------------|-------------------|
| REVENUE | | |
| Grants and contributions (Schedule A) | \$ 438,160 | \$ 410,017 |
| Boutique and cafe sales | 207,200 | 183,682 |
| Other | 42,433 | 31,455 |
| Admissions | 31,751 | 23,254 |
| Donations and fundraising activities | 11,509 | 14,545 |
| | 731,053 | 662,953 |
| EXPENSES | | |
| Operating expenses (Schedule B) | 711,842 | 667,423 |
| Project expenses (Schedule C) | 26,675 | 15,780 |
| | 738,517 | 683,203 |
| DEFICIENCY OF REVENUE OVER EXPENSES | (7,464) | (20,250) |
| NET ASSETS, BEGINNING OF YEAR | 233,806 | 254,056 |
| NET ASSETS, END OF YEAR | \$ 226,342 | \$ 233,806 |

MUSÉE BYTOWN MUSEUM

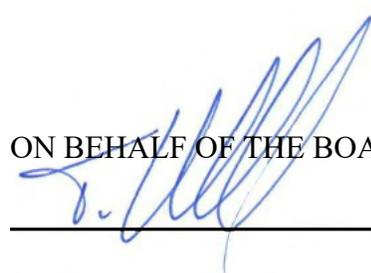
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

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| | 2016 | 2015 |
|--------------------------------------------------------------------------|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 129,674 | \$ 121,334 |
| Accounts receivable (Note 3) | 12,708 | 14,812 |
| Inventories | 12,729 | 13,153 |
| Prepaid expenses | 5,186 | 4,973 |
| | 160,297 | 154,272 |
| ADVANCES TO FONDATION MUSÉE BYTOWN MUSEUM FOUNDATION (Note 9) | 120,000 | 120,000 |
| CAPITAL ASSETS (Note 4) | 36,900 | 22,896 |
| | 156,900 | 142,896 |
| | \$ 317,197 | \$ 297,168 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 53,819 | \$ 26,285 |
| Deferred grants and contributions (Note 6) | 17,886 | 33,588 |
| | 71,705 | 59,873 |
| DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7) | 19,150 | 3,489 |
| | 90,855 | 63,362 |
| NET ASSETS | | |
| Unrestricted | 226,342 | 233,806 |
| | \$ 317,197 | \$ 297,168 |

ON BEHALF OF THE BOARD


_____, Director


_____, Director

MUSÉE BYTOWN MUSEUM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

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| | 2016 | 2015 |
|------------------------------------------------------------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenue over expenses | \$ (7,464) | \$ (20,250) |
| Adjustments for: | | |
| Amortization of capital assets | 10,016 | 7,111 |
| Amortization of deferred contributions related to capital assets | (4,339) | (2,338) |
| | (1,787) | (15,477) |
| Net change in non-cash working capital items (Note 8) | 14,147 | (5,944) |
| | 12,360 | (21,421) |
| INVESTING ACTIVITY | | |
| Acquisition of capital assets | (24,020) | (9,500) |
| FINANCING ACTIVITY | | |
| Increase in deferred contributions related to capital assets | 20,000 | - |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,340 | (30,921) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 121,334 | 152,255 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 129,674 | \$ 121,334 |

Cash and cash equivalents consist of cash.

MUSÉE BYTOWN MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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1. STATUTE AND NATURE OF OPERATIONS

The Musée Bytown Museum (the Museum) is incorporated as a not-for-profit organization under Part II of the Canada Corporations Act which was replaced by the new Canada Not-for-Profit Corporations Act. The purpose of the Museum is to collect, research and preserve artifacts related to the history of Bytown, the City of Ottawa and its environment. The Museum is a registered charity under the Income Tax Act and, as such, it is exempt from income tax.

The Bytown Museum builds upon the legacy of the Women's Canadian Historical Society of Ottawa. The Museum's mandate is to collect, preserve, study and make accessible the material and cultural heritage of the Ottawa region's multicultural and diverse history. The Museum strives to tell the stories of an evolving city, from its first inhabitants and the early days of Bytown to present-day Ottawa.

2. SIGNIFICANT ACCOUNTING POLICIES

The Museum applies Canadian accounting standards for not-for-profit organizations (ASNFPPO) in accordance with Part III of the CPA Canada Handbook – Accounting.

Use of estimates

The preparation of financial statements in compliance with the ASNFPPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to the net realizable value of inventory and the estimated useful life of capital assets.

Revenue recognition

The Museum follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred.

Boutique and cafe sales and admissions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Donations and fundraising activities are recognized when received.

Other revenue and interest are recognized when earned.

Allocation of common expenses

The Museum allocates a number of its expenses to projects. Wages and benefits and administration costs are allocated on the following basis:

- a) Wages and benefits costs: based on the budget for each project;
- b) Administration costs: based on the budget for each project.

MUSÉE BYTOWN MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

The Museum would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the inherent difficulty in compiling these hours and establishing their value, contributed services are not recognized in the financial statements.

Cash and cash equivalents

The Museum's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that can fluctuate from being positive to overdrawn.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the following methods, annual rates and periods:

| | Methods | Rates or periods |
|------------------------|----------------------|------------------|
| Equipment | Diminishing balance | 20% |
| Computer equipment | Straight-line method | 3 years |
| Leasehold improvements | Straight-line method | 5 years |

Write-down of capital assets

When a capital asset no longer contributes to the Museum's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Financial instruments

Measurement of financial instruments

The Museum initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Museum subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, accounts receivable and advances to Fondation Musée Bytown Museum Foundation.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

MUSÉE BYTOWN MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. The Museum determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Museum recognizes its transaction costs in operations in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

3. ACCOUNTS RECEIVABLE

| | 2016 | | 2015 | |
|-------------------------------------|------|--------|------|--------|
| Accounts receivable | \$ | 8,448 | \$ | 7,447 |
| Grants and contributions receivable | | - | | 7,365 |
| HST receivable | | 4,260 | | - |
| | \$ | 12,708 | \$ | 14,812 |

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2016 | 2015 |
|------------------------|-----------|-----------------------------|-----------|-----------|
| Equipment | \$ 40,815 | \$ 9,758 | \$ 31,057 | \$ 13,706 |
| Computer equipment | 8,107 | 6,755 | 1,352 | 4,054 |
| Leasehold improvements | 12,546 | 8,055 | 4,491 | 5,136 |
| | \$ 61,468 | \$ 24,568 | \$ 36,900 | \$ 22,896 |

MUSÉE BYTOWN MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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5. COLLECTIONS

The Museum's collection consists of photographs, artwork, furniture, household, military items and other. The collection comprises nearly 10,000 items. The Museum's important artefact collection has been built on the generous donations of the community from 1898 to present. The monetary evaluation of items within the collection cannot be determined and thus, the value of individual artefacts is not recognized in the financial statements. However, the collection is of invaluable historical value to the story of our community.

6. DEFERRED GRANTS AND CONTRIBUTIONS

| | 2016 | 2015 |
|-------------------------------------------------|-----------|-----------|
| Balance, beginning of year | \$ 33,588 | \$ 18,828 |
| Plus: Amounts received for the subsequent year | 19,091 | 39,600 |
| Less: Amounts recognized as revenue in the year | (34,793) | (24,840) |
| Balance, end of year | \$ 17,886 | \$ 33,588 |

The ending balance of deferred grants and contributions is represented as follows:

| | 2016 | 2015 |
|----------------------------------------------------|-----------|-----------|
| Strategic and Business Plan Development | \$ 11,283 | \$ 11,878 |
| MSP Translation Funds | 5,275 | 6,442 |
| Young Canada Works Internship program | 1,181 | - |
| Awesome Ottawa | 147 | - |
| Database Management and Collection Upgrade Project | - | 15,268 |
| | \$ 17,886 | \$ 33,588 |

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

| | 2016 | 2015 |
|-------------------------------------------------|-----------|----------|
| Balance, beginning of year | \$ 3,489 | \$ 5,827 |
| Plus: Amounts received for the subsequent year | 20,000 | - |
| Less: Amounts recognized as revenue in the year | (4,339) | (2,338) |
| Balance, end of year | \$ 19,150 | \$ 3,489 |

MUSÉE BYTOWN MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

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8. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

| | 2016 | 2015 |
|------------------------------------------|------------------|-------------------|
| Accounts receivable | \$ 2,104 | \$ (11,324) |
| Inventories | 424 | (6,694) |
| Prepaid expenses | (213) | 10,889 |
| Accounts payable and accrued liabilities | 27,534 | (13,575) |
| Deferred grants and contributions | (15,702) | 14,760 |
| | \$ 14,147 | \$ (5,944) |

9. ECONOMIC INTEREST

The Fondation Musée Bytown Museum Foundation's objective is to raise, receive, maintain and manage funds and to apply all or part of them and the income derived from them for the benefit of the Musée Bytown Museum. In 2012, the Musée Bytown Museum loaned an amount of \$120,000 to the Fondation Musée Bytown Museum Foundation, without interest and collection terms.

A financial summary of the Foundation as at December 31, 2016 is as follows:

| | 2016 | 2015 |
|-----------------------------------------------------|-------------------|-----------------|
| Statement of financial position | | |
| Assets | \$ 127,693 | \$ 120,708 |
| Liabilities | (122,000) | (122,000) |
| Net assets (deficiency) | 5,693 | (1,292) |
| Statement of operations | | |
| Revenue | 10,423 | 6,118 |
| Expenses | 3,438 | 10,207 |
| Excess (Deficiency) of revenue over expenses | 6,985 | (4,089) |
| Statement of cash flows | | |
| Operating activities | 3,157 | (5,316) |
| Investing activities | (6,261) | 4,719 |
| Decrease in cash and cash equivalents | \$ (3,104) | \$ (597) |

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NOTES TO THE FINANCIAL STATEMENTS

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10. ALLOCATION OF COMMON COSTS

Amounts for wages and benefits and administration costs are allocated as follows:

| | Wages and benefits | | Administration costs | |
|--------------------------------------------------------------|---------------------------|-------------|-----------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Database Management and Collection Upgrade Project | \$ 15,268 | \$ 13,776 | \$ - | \$ 56 |
| Community Foundation of Ottawa - Youth Council | \$ 9,960 | \$ - | \$ - | \$ - |
| Awesome Ottawa Strategic and Business Plan Development | \$ - | \$ - | \$ 853 | \$ - |
| Cultural Facilities Fund Program | \$ - | \$ - | \$ 594 | \$ - |
| | \$ - | \$ - | \$ - | \$ 1,948 |
| | \$ 25,228 | \$ 13,776 | \$ 1,447 | \$ 2,004 |

MUSÉE BYTOWN MUSEUM

ADDITIONAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

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| | 2016 | 2015 |
|-----------------------------------------------------|------------|------------|
| SCHEDULE A - GRANTS AND CONTRIBUTIONS | | |
| Heritage Funding Program | \$ 315,000 | \$ 315,000 |
| Young Canada Works | 35,816 | 31,311 |
| Community Museum Operating Grant | 26,317 | 26,317 |
| Database Management and Collections Upgrade Project | 15,268 | 13,832 |
| Summer Career Placement Program | 15,255 | 4,488 |
| MSP Translation funds | 11,758 | 9,258 |
| Community Foundation of Ottawa | 9,960 | - |
| Ontario Trillium Foundation | 2,000 | - |
| Cultural Facilities Fund Program | 2,339 | 4,088 |
| Chill Factor | 1,500 | 1,000 |
| Downtown Rideau BIA | 1,500 | - |
| Strategic and Business Plan Development | 594 | - |
| Awesome Ottawa | 853 | - |
| St. Lawrence College | - | 4,723 |
| | \$ 438,160 | \$ 410,017 |

SCHEDULE B - OPERATING EXPENSES

| | | |
|----------------------------------------------|------------|------------|
| Wages and benefits | \$ 379,958 | \$ 359,589 |
| Boutique and cafe purchases | 105,250 | 94,830 |
| Administration | 74,956 | 90,344 |
| Interpretation, marketing and special events | 60,644 | 57,598 |
| Maintenance | 55,061 | 36,097 |
| Rent | 14,260 | 14,260 |
| Collection management | 11,697 | 7,594 |
| Amortization of capital assets | 10,016 | 7,111 |
| | \$ 711,842 | \$ 667,423 |

SCHEDULE C - PROJECT EXPENSES

| | | |
|----------------------------------------------------|-----------|-----------|
| Database Management and Collection Upgrade Project | \$ 15,268 | \$ 13,832 |
| Community Foundation of Ottawa | 9,960 | - |
| Awesome Ottawa | 853 | - |
| Strategic and Business Plan Development | 594 | - |
| Cultural Facilities Fund Program | - | 1,948 |
| | \$ 26,675 | \$ 15,780 |
