
INDEPENDENT AUDITOR'S REPORT

To the Directors of Canadian Fossil Discovery Centre Inc.

We have audited the accompanying financial statements of Canadian Fossil Discovery Centre Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Fossil Discovery Centre Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winkler, Manitoba
April 17, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

CANADIAN FOSSIL DISCOVERY CENTRE INC.

Statement of Financial Position

December 31, 2017

	2017	2016
ASSETS		
CURRENT Cash	\$ 56,059	\$ 59,491
Accounts receivable	616	998
Inventory	10,050	11,044
Prepaid expenses	2,656	2,386
	69,381	73,919
<u>CAPITAL ASSETS (Note 2)</u>	<u>58,956</u>	<u>56,967</u>
	\$ 128,337	\$ 130,886
LIABILITIES		
CURRENT		
Accounts payable	\$ 10,027	\$ 7,840
Callable debt due in one year (Note 4)	-	931
Goods and services tax payable	93	76
Provincial sales tax payable	862	826
Employee deductions payable	2,824	6,242
Deferred revenue (Note 5)	3,840	5,251
Unearned revenue (Note 6)	38,761	34,315
	56,407	55,481
<u>DEFERRED REVENUE (Note 5)</u>	<u>15,207</u>	<u>15,661</u>
	71,614	71,142
NET ASSETS		
Unrestricted (Page 4)	56,723	59,744
	\$ 128,337	\$ 130,886

APPROVED BY THE BOARD

_____ Director

_____ Director

See accompanying notes to financial statements

Jim M. Smith Chartered Professional Accountants Inc.

Statement of operations

Year Ended December 31, 2017

	Budget 2017 (Unaudited)	2017	2016
REVENUE			
Grants - municipal	\$ 104,000	\$ 105,000	\$ 118,000
Grants - municipal (Note 8)	89,480	89,480	89,480
Admissions and memberships	53,100	49,164	47,724
Programs	36,900	24,979	33,133
Gift shop	30,000	30,374	30,312
Grants - other	28,000	46,642	27,126
Fundraising and other	2,200	6,270	1,851
Rentals	-	-	170
Grants - provincial	56,700	45,491	22,837
Grants - federal	-	200	200
Donations	2,000	23,991	7,897
	402,380	421,591	378,730
EXPENSES			
Advertising and promotion	43,650	34,405	35,408
Amortization	-	6,543	4,947
Association dues	1,210	1,821	1,871
Bookkeeping	10,170	11,907	6,073
Foundation and grant costs	-	-	4,002
Galleries and exhibits	21,600	23,756	1,562
Gift in kind - replicas etc.	-	16,500	2,300
Gift shop	-	15,014	15,099
Insurance	5,500	4,011	2,859
Interest and bank charges	1,800	2,038	1,544
Interest on callable debt	-	3	142
Laboratory supplies	625	3,141	718

See accompanying notes to financial statements

Jim M. Smith Chartered Professional Accountants Inc.

Miscellaneous	2,650	6,480	3,905
Office	2,200	6,491	5,254
Professional fees	5,000	6,741	7,560
Programs	1,775	1,020	1,522
Rent (<i>Note 8</i>)	84,480	84,480	84,480
Repairs and maintenance	1,500	3,158	2,474
Salaries and wages	202,773	180,575	171,204
Special events	3,350	2,487	-
Telephone	2,500	2,079	2,591
Travel	1,350	2,193	1,227
Utilities and property taxes	5,950	5,906	5,850
Vehicle	6,000	3,863	3,718
	404,083	424,612	366,310
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	\$ (1,703)	\$ (3,021)	\$ 12,420

See accompanying notes to financial statements

Jim M. Smith Chartered Professional Accountants Inc.

Statement of Net Assets

Year Ended December 31, 2017

	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 59,744	\$ 47,324
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(3,021)	12,420
NET ASSETS - END OF YEAR	\$ 56,723	\$ 59,744

See accompanying notes to financial statements

Jim M. Smith Chartered Professional Accountants Inc.

Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (3,021)	\$ 12,420
Item not affecting cash:		
Amortization of capital assets	6,543	4,947
	<u>3,522</u>	<u>17,367</u>
Changes in non-cash working capital:		
Accounts receivable	382	(644)
Inventory	994	(3,587)
Accounts payable	2,190	(2,528)
Deferred revenue	(1,411)	1,979
Prepaid expenses	(270)	(1,237)
GST payable (receivable)	17	(209)
PST payable (receivable)	36	269
Employee deductions payable	(3,418)	3,142
Unearned revenue	4,446	23,357
	<u>2,966</u>	<u>20,542</u>
<u>Cash flow from operating activities</u>	<u>6,488</u>	<u>37,909</u>
INVESTING ACTIVITY		
Purchase of capital assets	(8,535)	(5,888)
FINANCING ACTIVITIES		
Increase (decrease) in deferred revenue	(454)	(1,487)
Repayment of callable debt	(931)	(5,318)
	<u>(1,385)</u>	<u>(6,805)</u>
INCREASE (DECREASE) IN CASH FLOW	(3,432)	25,216
<u>Cash - beginning of year</u>	<u>59,491</u>	<u>34,275</u>
CASH - END OF YEAR	\$ 56,059	\$ 59,491
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	\$ 2,040	\$ 1,686

See accompanying notes to financial statements

Jim M. Smith Chartered Professional Accountants Inc.

CANADIAN FOSSIL DISCOVERY CENTRE INC.

Canadian Fossil Discovery Centre Inc. is a non-profit organization and is a registered charity exempt from income tax under the Income Tax Act. The purpose of the organization is the collection,

preservation, study, exhibition and interpretation of paleontological specimens from Southern Manitoba and human artifacts from prehistoric times through to pioneer settlement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for notfor-profit organizations.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

Capital assets

Capital assets are stated at cost less accumulated amortization. In the year of addition, capital assets are amortized at half-rate. Capital assets are amortized over their estimated useful lives on a straight-line basis using the following rates:

Motor vehicles	20%
Computer equipment	50%
Furniture and fixtures	20%
Leasehold improvements	5%

The organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

The organization follows the deferral method of accounting for contributions and grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from museum, admissions, programs, and rental of the premises is recognized at the time the services are provided. Gift shop revenue is recognized when title passes to the customer, which

generally occurs at the point of sale. Fundraising and donation revenues are recorded when received.

Fossil collection

The accessioned vertebrate fossil collection has not been capitalized in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for notfor profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Contributed services

The organization is thankful for the many hours contributed by volunteers which assist greatly in allowing it to fulfill its purpose. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Impairment of long lived assets

The carrying value of capital assets is periodically reviewed for impairment. The organization reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Capital assets may be impaired if they are no longer being used by the organization or if the long term service potential of the asset diminishes over time. Impairment losses are recognized in the statement of operations in the year they occur.

2. CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 35,432	\$ -	\$ 35,432	\$ -
Motor vehicles	5,200	3,640	5,200	2,600
Computer equipment	32,548	30,519	31,102	27,639
Furniture and fixtures	16,600	11,152	11,302	9,262
Leasehold improvements	15,565	1,078	13,776	344
	\$ 105,345	\$46,389	\$96,812	\$ 39,845
Net book value	\$58,956		\$56,967	

3. BANK INDEBTEDNESS

The organization has arranged for a line of credit in the amount of \$20,000. The interest rate is prime plus 1% (4.2% as of December 31). Security consists of a line of credit agreement in the amount of \$20,000 and the security listed in note 4.

4. CALLABLE DEBT

	2017	2016
Term loan bearing interest at prime plus 1% per annum, repayable in monthly blended payments of \$455. The loan matures on January 28, 2017 and is secured by a registered general security agreement, first charge mortgage over land, and assignment of fire insurance. The loan is callable on demand.	\$ -	\$ 931
Principal due in one year	-	(931)
	\$ -	\$ -

5. DEFERRED REVENUE

	2017	2016
Furniture - Morden Area Foundation Inc.	\$ 233	\$ 699
Furniture - Community Futures Heartland Inc.	83	249
Furniture - Winkler & District United Way	150	450
Furniture - Canadian Museums Association	100	300
Vehicle - various donors	1,410	2,350
Computers - Travel Manitoba	945	3,435
Leasehold improvements (theatre) - Access Credit Union	2,312	2,437
Leasehold improvements (theatre) - Enbridge Inc.	8,478	8,936
Leasehold improvements (photo booth) -	1,950	2,056
Leasehold improvements (electrical) - Signature Museum	304	-
Furniture (speakers) - Signature Museum	3,082	-
Subtotal	19,047	20,912
Current portion	(3,840)	(5,251)
	\$ 15,207	\$ 15,661

Deferred revenue includes grants to fund the purchase of furniture, a van, a computer and theatre improvements. Deferred revenue is included in income at the same rate that the corresponding assets are being amortized as detailed in Note 2.

6. UNEARNED REVENUE

Unearned revenue includes \$8,035 (2016 - \$10,512) received from the Thomas Sill Foundation. These funds are to be used to assist in covering the costs of constructing a new shark exhibit. It also includes \$30,726 (2016 - \$23,803) received from the Signature Museum grant. These funds are to be used in programming activities.

7. FOSSIL COLLECTION

The collection consists of approximately 1,133 (2016 - 1,061) accessioned vertebrate fossil specimens. During the year, the organization added 72 (2016 - nil) fossil specimens to the collection through various excavations hosted by the organization.

8. GRANTS - MUNICIPAL

The organization has entered into a lease agreement with the City of Morden to lease the building space it occupies for an amount of \$84,480 per year. The agreement ends on May 5th, 2021. This

lease amount approximates fair market value rent. The City of Morden has given the organization an in-kind grant in lieu of requiring payment for the lease.

The City of Morden also does not require the organization to pay for water and sewer utilities. An estimated value of \$5,000 has been recorded in the financial statements as an in-kind grant and utilities expense for both 2017 and 2016.

9. ECONOMIC DEPENDENCE

During the year ending December 31, 2017, approximately 46% (2016 - 53%) of the organization's revenue was received from the City of Morden in the form of cash and in-kind grants. The organization is economically dependent on the continued support of the City of Morden to carry on its operations.

10. FINANCIAL RISKS AND UNCERTAINTIES

The organization relies on its Executive Director and the Board of Directors to manage financial risk.

Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The organization does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposures that the organization has to credit risk as of December 31, 2017 and 2016 are as follows.

	2017	2016
Cash	\$ 56,059	\$ 59,491
Accounts receivable	616	998
	\$ 56,675	\$ 60,489

Credit risk associated with cash is minimized by ensuring that cash is invested with a credit worthy institution. The accounts receivable balance is relatively insignificant.

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they become due. The organization meets its liquidity requirements by preparing an annual budget, monitoring cash flows and cash balances throughout the year and by arranging for financing to cover temporary cash shortfalls.

Interest rate risk

The organization's bank indebtedness and callable debt have a floating interest rate. Accordingly fluctuations in interest rates will affect the excess (deficiency) of revenue over expenses for the year.

Currency and other price risk

The Executive Director and Board believe that the organization has minimal or no exposure to these risks.