

Consolidated Financial Statements of

**ROYAL AVIATION MUSEUM OF WESTERN
CANADA INC.**

December 31, 2021

Independent Auditor's Report

To the Board of Directors
of the Royal Aviation Museum of Western Canada Inc.

Qualified Opinion

We have audited the consolidated financial statements of the Royal Aviation Museum of Western Canada Inc. (the "Organization"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 Organization 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 not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, 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 Organization and we were not able to determine whether any adjustments might be necessary to recorded contributions, the excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2021 and net assets as at December 31, 2021.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Organization 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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 GAAS 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 GAAS, 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 Organization'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 Organization'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 Organization 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.

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Chartered Professional Accountants

Winnipeg, Manitoba
May 25, 2022

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Consolidated Statement of Operations
Year Ended December 31, 2021

	Operating Fund 2021	Capital Fund 2021	Endowment Fund 2021	Total All Funds 2021	Operating Fund 2020	Capital Fund 2020	Endowment Fund 2020	Total All Funds 2020
REVENUE								
Contributions	\$ -	\$ 9,951,445	\$ 142,951	\$ 10,094,396	\$ -	\$ 6,388,357	\$ 10,800	\$ 6,399,157
Donations - in kind	7,400	-	-	7,400	-	-	-	-
Donations	46,543	-	-	46,543	51,395	-	-	51,395
Grants								
Province of Manitoba	140,019	-	-	140,019	50,299	-	-	50,299
City of Winnipeg	49,500	-	-	49,500	49,500	-	-	49,500
Memberships	575	-	-	575	1,995	-	-	1,995
Investment income	62,211	7,113	-	69,324	58,459	149,684	-	208,143
Realized gain on sale of investments	-	139,575	-	139,575	-	-	-	-
Government subsidies (Note 15)	-	505,301	-	505,301	-	206,392	-	206,392
Other income (Schedule 1)	13,280	-	-	13,280	282	-	-	282
Special projects	-	-	-	-	3,151	-	-	3,151
	319,528	10,603,434	142,951	11,065,913	215,081	6,744,433	10,800	6,970,314
EXPENSES								
Administrative and general	514,737	18,132	-	532,869	430,830	16,529	-	447,359
Aircraft restoration and exhibits	317,677	-	-	317,677	130,212	-	-	130,212
Archives and library	1,183	-	-	1,183	1,806	-	-	1,806
Depreciation	-	49,972	-	49,972	-	19,023	-	19,023
Equipment costs	18,773	-	-	18,773	2,374	-	-	2,374
Hangar complex operating expenses	81,326	-	-	81,326	24,132	-	-	24,132
Interest on loan	60,472	-	-	60,472	-	-	-	-
Other expenses (Schedule 1)	6,114	-	-	6,114	2,953	-	-	2,953
Public relations and programs	134	-	-	134	1,608	-	-	1,608
Personnel costs and benefits								
Contracted	-	942,137	-	942,137	-	569,318	-	569,318
Loss on disposal of fixed assets	-	9,026	-	9,026	-	-	-	-
Special projects	-	-	-	-	3,151	-	-	3,151
	1,000,416	1,019,267	-	2,019,683	597,066	604,870	-	1,201,936
EXCESS OF (EXPENSES OVER REVENUE)								
REVENUE OVER EXPENSES	\$ (680,888)	\$ 9,584,167	\$ 142,951	\$ 9,046,230	\$ (381,985)	\$ 6,139,563	\$ 10,800	\$ 5,768,378

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Consolidated Statement of Financial Position

December 31, 2021

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds 2021	Total All Funds 2020
ASSETS					
CURRENT					
Cash	\$ -	\$ 53,463	\$ -	\$ 53,463	\$ 2,146,775
Cash - restricted (Note 3)	-	-	-	-	32,850
Investments (Note 4)	-	1,228,273	142,951	1,371,224	2,517,765
Accounts receivable	212,451	-	-	212,451	372,954
Inventory	94,573	-	-	94,573	15,664
Prepaid expenses	22,139	-	-	22,139	22,139
	329,163	1,281,736	142,951	1,753,850	5,108,147
PROPERTIES AND CAPITAL ASSETS (Note 5)					
	-	37,708,053	-	37,708,053	21,226,177
	\$ 329,163	\$ 38,989,789	\$ 142,951	\$ 39,461,903	\$ 26,334,324
LIABILITIES					
CURRENT					
Bank indebtedness (Note 6)	\$ -	\$ 474,804	\$ -	\$ 474,804	\$ -
Accounts payable	102,879	966,889	-	1,069,768	2,162,249
Current portion of long-term debt (Note 7)	-	5,124,454	-	5,124,454	1,280
	102,879	6,566,147	-	6,669,026	2,163,529
LONG-TERM DEBT (Note 7)	-	69,050	-	69,050	69,050
DEFERRED CONTRIBUTIONS (Note 8)					
	27,570	-	-	27,570	27,570
	130,449	6,635,197	-	6,765,646	2,260,149
FUND BALANCES					
Operating	198,714	-	-	198,714	45,231
Capital	-	32,354,592	-	32,354,592	23,604,796
Endowment	-	-	142,951	142,951	424,148
	198,714	32,354,592	142,951	32,696,257	24,074,175
	\$ 329,163	\$ 38,989,789	\$ 142,951	\$ 39,461,903	\$ 26,334,324

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2021

	Operating Fund	Capital Fund	Endowment Fund	Total
Balance, January 1, 2020	\$ 66,433	\$ 17,826,016	\$ 413,348	\$ 18,305,797
Excess of (expenses over revenue) revenue over expenses	(381,985)	6,139,563	10,800	5,768,378
Interfund transfer	360,783	(360,783)	-	-
Balance, December 31, 2020	45,231	23,604,796	424,148	24,074,175
Excess of (expenses over revenue) revenue over expenses	(680,888)	9,584,167	142,951	9,046,230
Transfer to The Winnipeg Foundation	-	-	(424,148)	(424,148)
Interfund transfer	834,371	(834,371)	-	-
Balance, December 31, 2021	\$ 198,714	\$ 32,354,592	\$ 142,951	\$ 32,696,257

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 9,046,230	\$ 5,768,378
Items not affecting cash		
Depreciation	49,972	19,023
Amortization of deferred contributions	-	(3,151)
Loss on disposal of capital asset	(9,026)	-
Donations - in kind	(7,400)	-
	9,079,776	5,784,250
Changes in non-cash operating working capital balances		
Accounts receivable	160,503	(358,705)
Inventory	(78,909)	-
Prepaid expenses	-	(1,373)
Accounts payable	(1,092,481)	2,108,057
	8,068,889	7,532,229
FINANCING ACTIVITIES		
Increase in bank indebtedness	474,804	-
Proceeds from long-term debt	5,173,174	60,000
Repayment of long-term debt	(50,000)	-
	5,597,978	60,000
INVESTING ACTIVITIES		
Decrease in cash restricted for special projects	32,850	-
Net decrease in investments	1,146,541	10,903,690
Acquisition of capital assets	(16,515,422)	(16,503,065)
Transfer of investments to The Winnipeg Foundation	(424,148)	-
	(15,760,179)	(5,599,375)
NET (DECREASE) INCREASE IN CASH POSITION	(2,093,312)	1,992,854
CASH, BEGINNING OF YEAR	2,146,775	153,921
CASH, END OF YEAR	\$ 53,463	\$ 2,146,775