

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Non-consolidated Financial Statements
For the year ended December 31, 2023

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Non-consolidated Financial Statements

For the year ended December 31, 2023

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Independent Auditor's Report

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

Opinion

We have audited the non-consolidated financial statements of **Royal Aviation Museum of Western Canada Inc.** (the Museum), which comprise the non-consolidated statement of financial position as at December 31, 2023, and the non-consolidated statement of changes in fund balances, non-consolidated statement of operations and the non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Museum as at December 31, 2023, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

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 Non-consolidated 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 non-consolidated 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 opinion.

Emphasis of Matter

We draw attention to Note 17 to the non-consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Other Matter - Comparative Information

The non-consolidated financial statements of the Museum for the year ended December 31, 2022 were audited by another auditor who expressed a qualified opinion on these non-consolidated financial statements on May 24, 2023 with regards to completeness of donations and fundraising revenue.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2024

Royal Aviation Museum of Western Canada Inc. Non-consolidated Statement of Financial Position


As at December 31, 2023


	Operating Fund	Capital Fund	Endowment Fund	2023 Total	2022 Total
(Restated Note 17)					
Assets					
Current Assets					
Cash and bank	\$ 89,520	\$ 29,000	\$ -	\$ 118,520	49,947
Restricted cash and bank (Note 3)	171,453	-	-	171,453	7,500
Investments (Note 4)	-	108,469	8,898	117,367	798,804
Receivables	88,297	-	-	88,297	134,643
Inventory (Note 5)	116,714	-	-	116,714	143,733
Prepays	24,821	-	-	24,821	37,769
	490,805	137,469	8,898	637,172	1,172,396
Property and equipment (Note 6)	-	35,973,760	-	35,973,760	37,481,874
Collections (Note 7)	-	1,939,214	-	1,939,214	1,939,214
Interfund balance (Note 8)	(38,374)	38,374	-	-	-
	\$ 452,431	\$ 38,088,817	\$ 8,898	\$ 38,550,146	\$ 40,593,484

Liabilities and Fund Balances

Current Liabilities					
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	9,581
Payables and accruals (Note 10)	308,002	-	8,898	316,900	395,153
Deferred revenue	48,971	-	-	48,971	63,954
Deferred contributions (Note 11)	195,496	-	-	195,496	-
Loans payable (Note 9)	-	1,407,903	-	1,407,903	3,549,187
	552,469	1,407,903	8,898	1,969,270	4,017,875
Commitments (Note 12)					
Fund Balances					
Unrestricted (deficit)	(100,038)	-	-	(100,038)	146,652
Externally restricted	-	36,680,914	-	36,680,914	36,428,957
	(100,038)	36,680,914	-	36,580,876	36,575,609
	\$ 452,431	\$ 38,088,817	\$ 8,898	\$ 38,550,146	\$ 40,593,484

Approved on behalf of the Board of Directors:


 _____ Director


 _____ Director

Royal Aviation Museum of Western Canada Inc. Non-consolidated Statement of Changes in Fund Balances

For the year ended December 31, 2023

	Operating Fund	Capital Fund	Endowment Fund	2023 Total	2022 Total
Balance , beginning of year, as previously reported	\$ 146,652	\$ 36,428,957	\$ 222,277	\$ 36,797,886	\$ 32,696,257
Corrections of prior period errors (Note 17)	197,941	(197,941)	(222,277)	(222,277)	(142,951)
Balance , beginning of year, restated	344,593	36,231,016	-	36,575,609	32,553,306
Excess (deficiency) of revenue over expenses for the year	(407,275)	412,542	-	5,267	4,022,303
Interfund transfer					
Equipment acquisitions	(37,356)	37,356	-	-	-
Balance , end of year	\$ (100,038)	\$ 36,680,914	\$ -	\$ 36,580,876	\$ 36,575,609

The accompanying notes are an integral part of these non-consolidated financial statements.

Royal Aviation Museum of Western Canada Inc. Non-consolidated Statement of Operations

For the year ended December 31

	Operating Fund 2023	Capital Fund 2023	Endowment Fund 2023	Total All Funds 2023	Operating Fund 2022	Capital Fund 2022	Endowment Fund 2022	Total All Funds 2022
(Restated Note 17)								
Revenue								
Admissions	\$ 629,113	\$ -	\$ -	\$ 629,113	\$ 539,638	\$ -	\$ -	\$ 539,638
Annual passes	64,509	-	-	64,509	40,244	-	-	40,244
Donations	577,953	2,419,067	8,898	3,005,918	51,509	7,042,484	222,277	7,316,270
Education program	93,258	-	-	93,258	42,249	-	-	42,249
Event rentals	350,916	-	-	350,916	315,576	-	-	315,576
Fundraising gala	375,823	-	-	375,823	-	-	-	-
Gift shop sales	265,705	-	-	265,705	263,632	-	-	263,632
Grants								
City of Winnipeg	49,500	-	-	49,500	64,500	-	-	64,500
Government of Canada	20,000	-	-	20,000	-	162,857	-	162,857
Province of Manitoba	3,143	-	-	3,143	115,964	-	-	115,964
Interest	21,515	-	-	21,515	-	25,756	-	25,756
Parking fees	94,178	-	-	94,178	78,619	-	-	78,619
Other	64,367	-	-	64,367	82,804	-	-	82,804
Contributions from The Winnipeg Foundation (Note 13)	151,442	-	-	151,442	140,152	-	-	140,152
	2,761,422	2,419,067	8,898	5,189,387	1,734,887	7,231,097	222,277	9,188,261
Expenses								
Administrative and general	327,994	-	-	327,994	328,906	20,438	-	349,344
Admission and programming	19,521	-	-	19,521	19,032	-	-	19,032
Collections and exhibits	81,009	-	-	81,009	270,237	-	-	270,237
Depreciation	-	1,734,856	-	1,734,856	-	1,764,486	-	1,764,486
Education	3,076	-	-	3,076	9,245	-	-	9,245
Energy, water and sewer	111,000	-	-	111,000	66,618	-	-	66,618
Event rental	77,751	-	-	77,751	57,620	-	-	57,620
Facility maintenance and building	332,957	-	-	332,957	338,177	-	-	338,177
Fundraising	247,605	35,131	-	282,736	26,814	-	-	26,814
Gift shop	211,360	-	-	211,360	164,605	-	-	164,605
Interest on loan	-	126,226	-	126,226	-	197,941	-	197,941
Marketing and promotion	103,400	-	-	103,400	266,866	-	-	266,866
Parking	19,923	-	-	19,923	12,688	-	-	12,688
Property taxes	150,994	-	-	150,994	62,228	-	-	62,228
Rent for King Edward facility	203,843	-	-	203,843	93,225	-	-	93,225
Salaries and benefits	1,278,264	110,312	-	1,388,576	1,128,743	115,812	-	1,244,555
Contribution to The Winnipeg Foundation (Note 13)	-	-	8,898	8,898	-	-	222,277	222,277
	3,168,697	2,006,525	8,898	5,184,120	2,845,004	2,098,677	222,277	5,165,958
Excess (deficiency) of revenue over expenses for the year	\$ (407,275)	\$ 412,542	\$ -	\$ 5,267	\$ (1,110,117)	\$ 5,132,420	\$ -	\$ 4,022,303

The accompanying notes are an integral part of these non-consolidated financial statements.

Royal Aviation Museum of Western Canada Inc. Non-consolidated Statement of Cash Flows

For the year ended December 31

2023

2022

(Restated Note 17)

Cash provided by (used in):

Operating Activities

Operating Fund deficiency of revenue over expenses for the year	\$ (407,275)	\$ (1,110,117)
Adjustments for items not affecting cash		
Amortization of deferred contributions	-	(27,570)
Forgivable portion of loan	(20,000)	-
	<u>(427,275)</u>	<u>(1,137,687)</u>
Changes in non-cash working capital balances		
Receivables	46,346	77,808
Inventory	27,019	(49,160)
Prepays	12,948	(15,630)
Payables and accrued liabilities	135,126	(896,892)
Deferred revenue	(14,983)	63,953
Deferred contributions	195,496	-
	<u>(25,323)</u>	<u>(1,957,608)</u>

Investing Activities

Increase in restricted cash and bank, net	(163,953)	(7,500)
Net decrease in investments	681,437	572,421
Acquisition of property and equipment	(226,742)	(3,477,521)
Due to The Winnipeg Foundation (Note 10)	(213,379)	79,326
	<u>77,363</u>	<u>(2,833,274)</u>

Financing Activities

Capital Fund excess (deficiency) of revenue over expenses for the year	412,542	5,132,420
Adjustments for items not affecting cash		
Depreciation	1,734,856	1,764,486
Decrease in bank indebtedness	(9,581)	(465,223)
Loan repayments	(2,121,284)	(2,492,942)
Loan proceeds	-	848,625
	<u>16,533</u>	<u>4,787,366</u>

Net increase (decrease) in cash and bank during the year **68,573** (3,516)

Cash and bank, beginning of year **49,947** 53,463

Cash and bank, end of year **\$ 118,520** \$ 49,947

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

1. Description of the Museum

The Royal Aviation Museum of Western Canada Inc. (the Museum) is a world-class facility filled with interactive experiences and inspirational storytelling. The Museum has as its goal to engage visitors with stories of Canada's aviation and aerospace heritage while providing an environment to inspire future generations of aviators and innovators. The Museum has quickly become a signature attraction in Winnipeg, Manitoba.

The Museum is a not-for-profit organization incorporated under The Corporations Act in Manitoba without share capital. The Museum is designated as a charitable organization under the *Income Tax Act, Canada* and is exempt from income taxes.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The non-consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

b. Basis of Accounting for Controlled Entities

The Museum has not consolidated the financial statements of its controlled entities, 3039677 Manitoba Ltd. and Western Canada Aviation Museum Foundation Inc. The summary financial statements are disclosed in Note 14.

c. Fund Accounting

The Operating Fund reports all revenue and expenses related to Museum operations and special projects.

The Capital Fund reports the assets, liabilities, revenue and expenses related to property, equipment and collections, and the Capital Campaign.

The Endowment Fund reports resources contributed for endowment. The Museum has as its policy to contribute all endowment funds received to the Royal Aviation Museum Endowment Funds held and managed by The Winnipeg Foundation. As a result, endowment contributions received are approved for contribution to The Winnipeg Foundation in the same fiscal year.

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

2. Summary of Significant Accounting Policies (continued)

d. Revenue Recognition

The Museum follows the restricted fund method of accounting for contributions, which include donations and grants.

Restricted contributions related to general operations and special projects are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Restricted contributions related to acquisition of property, equipment, collections and debt repayment are recognized as revenue in the Capital Fund in the year received or receivable. Pledges of financial support are not recorded in the non-consolidated financial statements until the funds are received. Externally restricted contributions required to be maintained permanently as endowment are recognized as revenue of the Endowment Fund when received. Unrestricted contributions are recognized as revenue of the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund based on restrictions imposed. Unrestricted investment income are recognized as revenue of the Operating Fund in the period that corresponds to the year to which they relate.

Admissions, gift shop and parking revenue are recognized as revenue at the point of sale.

Annual passes revenue are recognized as revenue in the period that corresponds to the year to which they relate.

Education program fees are recognized as revenue when services are rendered.

Event rentals and fundraising gala revenue are recognized as revenue in the year that the event occurs.

e. Inventory

The inventory of merchandise acquired for resale is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the costs necessary to make the sale.

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

2. Summary of Significant Accounting Policies (continued)

f. Property and Equipment

Purchased property and equipment are recorded at historical cost. Contributed property and equipment are recorded at fair value at the date of contribution.

Property and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Building and building components	10 to 56 years
Educational exhibits	10 years
Furniture and equipment	10 years
Storage and frame buildings	25 years
Outdoor signs	5 years

g. Collections

The Museum's collections are capitalized in the Non-consolidated Statement of Financial Position at cost, but are not subject to amortization. When cost cannot be reasonably determined, collections or items in a collection are capitalized at a nominal value. Purchased items are reported at cost. Contributions of collection items are reported at cost, which is deemed to be the item's fair value at the date of contribution as determined by industry appraisals plus all costs directly attributable to the acquisition. When fair value cannot be determined, the contribution is recognized at a nominal value.

h. Volunteer Services

Many volunteers have contributed significant amounts of their time to the Museum's activities. No amount has been reflected in the non-consolidated financial statements for donated services as the amount cannot be reasonably estimated.

i. Contributed Materials and Services

Donated materials and services are recorded when the materials or services would have to be purchased if they were not donated, and where an estimate of fair value can be reasonably determined.

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

2. Summary of Significant Accounting Policies (continued)

j. Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value when the Museum becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments which are measured at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Museum recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

k. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates include estimated useful life of properties and equipment and valuation of collections. Actual results could differ from these estimates.

3. Restricted Cash and Bank

Restricted cash and bank represents resources restricted to fund special projects.

4. Investments

Investments comprise of a demand savings account.

Royal Aviation Museum of Western Canada Inc. Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

5. Inventory

Inventory is comprised primarily of gift shop merchandise and souvenirs. Inventory recognized as an expense during the year was \$211,360 (2022 - \$164,605).

6. Property and Equipment

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings and building components	\$ 31,961,545	\$ 2,013,443	\$ 31,929,519	\$ 1,026,756
Educational exhibits	4,954,597	978,728	4,832,695	483,269
Furniture and equipment	2,849,190	831,014	2,776,375	580,657
Storage building	157,749	157,749	157,749	156,010
Frame building	27,083	12,607	27,083	11,992
Land in St. Andrews	17,137	-	17,137	-
	\$ 39,967,301	\$ 3,993,541	\$ 39,740,558	\$ 2,258,684
Net book value		\$ 35,973,760		\$ 37,481,874

7. Collections

The Museum's collections include aircraft and artifacts maintained by the Museum. There were no acquisitions or disposals of collection items during the current and prior years.

8. Interfund Balance

The interfund balance due has no specific terms of repayment, is non-interest bearing, is unsecured and is due on demand.

Royal Aviation Museum of Western Canada Inc. Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

9. Credit Facilities

	2023	2022
Loan payable - Floating interest at lender's prime rate of 7.20%, interest payable monthly, repayable by May 2025, due on demand, secured as noted below	\$ 1,358,853	\$ 3,478,857
Canada Emergency Business Account (CEBA) - Interest-free loans of \$40,000 and \$20,000 with \$10,000 of each loan forgivable if repaid by January 18, 2024, repaid on January 5, 2024	40,000	60,000
Promissory note - Interest-free, no specific terms of repayment, unsecured	9,050	9,050
Loan payable - Interest-free, no specific terms of repayment, unsecured, repaid during the year	-	1,280
	\$ 1,407,903	\$ 3,549,187

Annual principal repayments required over the next two years and in aggregate are as follows:

2024	\$ 49,050
2025	1,358,853
	\$ 1,407,903

Security for the loan payable is as follows:

- General Security Agreement over all assets of the Museum, which represent a first charge on all site specific assets presently owned and thereafter acquired, including all proceeds and revenue of the borrower, to be registered in the Manitoba Personal Property Registry.
- General Assignment of Capital Campaign fundraising pledges, to be registered in the Manitoba Personal Property Registry.
- Assignment of lease over real property (building only) known as the Aviation Museum.
- Letter of Direction specifying 90% of confirmed Capital Campaign pledges amounting to \$6,210,000 to be received in 2021 to 2024 will be directed towards repayment of the loan.
- Letter of undertaking specifying a minimum of 45% of new/additional Capital Campaign pledges to be raised and received exclusive of the \$6,210,000 confirmed pledges will be directed towards repayment of the loan.

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

9. Credit Facilities (continued)

- Assignment of adequate all risk insurance coverage, throughout construction and operational phases.
- Any other standard security as reasonably requested/required by the lender or its solicitors.

Subsequent to year end, and in addition to the existing loan payable disclosed previously, the Museum obtained a line of credit from the same lender as the loan payable with authorized limit of \$250,000 and interest at the lender's prime plus 1.00%. The Museum provided the following security for the line of credit:

- Registered 1st multi-purpose mortgage of the property located at 3 Industrial Road, St. Andrews, Manitoba in the minimum amount of \$250,000.
- General assignment of rents and leases registered on Title and in Manitoba Personal Property Registry.
- Assignment of all risks fire and theft insurance satisfactory to the lender and its solicitors on all machinery, equipment, inventory, fixtures, buildings, improvements together with business interruption insurance.

10. Payables and Accruals

	2023	2022
Operating Fund		
Trade accounts payable	\$ 48,431	\$ 89,057
Accrued liabilities	98,668	83,819
Government remittances	160,903	-
	308,002	172,876
Endowment Fund		
Due to The Winnipeg Foundation	8,898	222,277
	\$ 316,900	\$ 395,153

Royal Aviation Museum of Western Canada Inc. Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

11. Deferred Contributions

Deferred contributions represent contributions received for the following:

	Balance at Beginning of Year	Received During the Year	Recognized as Revenue During the Year	Balance End of Year
Collection restoration	\$ -	\$ 20,000	\$ -	\$ 20,000
Education program	-	120,000	48,000	72,000
Translation	-	103,496	-	103,496
	\$ -	\$ 243,496	\$ 48,000	\$ 195,496

12. Commitments

The Museum has an operating lease for warehouse space on King Edward Street, Winnipeg, Manitoba at \$168,100 including non-rebatable GST per year with a term ending in September 2027. Annual rental payments include basic rent plus a proportionate share of property taxes and services.

The Museum has an operating lease with the Winnipeg Airports Authority for the land on which the new facility has been constructed with a term ending April 2076. Annual rental payments include basic rent of \$1 and an annual Airport Maintenance Charge of \$8,654 including non-rebatable GST per year. The Museum is also responsible for payment of property taxes which are not presented in the minimum lease payments below since the amount of the annual property taxes due cannot be reasonably estimated at the date of approval of these non-consolidated financial statements.

The minimum annual lease payments for the next five years and in aggregate are as follows:

2024	\$ 176,755
2025	176,755
2026	176,755
2027	134,730
2028	8,655
	<u>673,650</u>
	\$ 673,650

Royal Aviation Museum of Western Canada Inc. Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

13. Endowment Funds Held by The Winnipeg Foundation

The Museum has agreements with The Winnipeg Foundation whereby donors may choose to contribute to Royal Aviation Museum Endowment Funds held and managed by The Winnipeg Foundation. In addition, the Province of Manitoba established the Royal Aviation Museum of Western Canada Inc. Signature Museum Sustainability Fund. The Winnipeg Foundation will preserve the capital contributed to these funds and will distribute all income generated thereon to the Museum in perpetuity.

The endowment funds balances held and managed by The Winnipeg Foundation are not reflected in the Museum's non-consolidated financial statements. The fair value of each of the funds is as follows at December 31:

	<u>2023</u>	<u>2022</u>
Royal Aviation Museum Endowment Fund	\$ 2,095,023	\$ 1,761,906
Royal Aviation Museum of Western Canada Inc. Signature Museum Sustainability Fund	1,614,468	1,490,656
	<u>\$ 3,709,491</u>	<u>\$ 3,252,562</u>

During the year, the Museum received \$151,442 (2022 - \$140,152) from distributions in accordance with The Winnipeg Foundation's spending policy. The Museum has a balance available to spend of \$68,396 (2022 - \$nil) which is included in receivables in the Non-consolidated Statement of Financial Position.

During the year, the Museum approved the transfer of \$8,898 (2022 - \$222,277) to The Winnipeg Foundation which is presented as an expense on the Non-consolidated Statement of Operations and included in payables and accruals in the Non-consolidated Statement of Financial Position.

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

14. Controlled Entities

3039677 Manitoba Ltd.

The Museum controls 3039677 Manitoba Ltd. which is a Canadian Controlled Private Corporation (the Corporation) to sell aircraft parts for resale. The Corporation was inactive for the years ended December 31, 2023 and 2022. The Corporation held no assets, liabilities or retained earnings as at December 31, 2023 and 2022.

Western Canada Aviation Museum Foundation Inc.

The Western Canada Aviation Museum Foundation (the Foundation) was established to raise funds and generate investment income for granting to the Museum for its operations and special projects. The Executive of the Museum Board of Directors acts as Trustees of the Foundation. Due to the economic interest in the Foundation, the Foundation is controlled by the Museum. The Foundation is designated as a public foundation under the Income Tax Act, Canada.

Summary financial statements of the Foundation for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
<u>Statement of Financial Position</u>		
Total assets	\$ 134,310	\$ 131,350
Total liabilities	-	-
Total net assets	\$ 134,310	\$ 131,350
 <u>Statement of of Operations</u>		
Total revenue	\$ 2,960	-
Total expenses	-	-
Excess of revenue over expenses for the year	\$ 2,960	\$ -

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

15. Capital Campaign

In 2022, the Museum completed construction on its largest transformation in its 46-year history, which involved a fundraising project to build a world-class aviation museum on a prime lot proximate to the Winnipeg James A. Richardson International Airport. Pledges of financial support are not recorded in the non-consolidated financial statements until the funds are received. The Museum is dependent on donors for their contributions to extinguish the loan payable related to construction. The Capital Campaign continues to receive contributions to fund repayment of the outstanding credit facilities.

16. Financial Instruments Risk Management

The Museum is exposed to different types of risk in the normal course of operations, including credit, liquidity and interest risk. The Museum manages risk and risk exposure by applying policies approved by the Board of Directors.

Credit Risk

Credit risk is the risk that the Museum will incur a loss due to the failure by its debtor to meet their contractual obligations. Financial instruments which potentially subject the Museum to credit risk consist primarily of cash and bank, investments and receivables. The Museum is not exposed to significant credit risk since receivables are principally due from The Winnipeg Foundation in accordance with an executed agreement.

Liquidity Risk

Liquidity risk is the risk that the Museum will not be able to meet its obligations as they fall due. The financial instruments which potentially subject the Museum to liquidity risk consist primarily of payables and loans payable. The Museum manages its liquidity by maintaining adequate levels of working capital to ensure obligations can be met when they fall due. Subsequent to year end, the Museum has access to a line of credit. The Museum is economically dependent on its donors to fund payment of interest on debt, repayment of debt and programming.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Museum is exposed to interest rate risk since its investments are held in a deposit account with floating interest rates and the loan payable is at a floating rate. The Museum does not use derivative instruments to reduce exposure to interest risk.

Royal Aviation Museum of Western Canada Inc.

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

17. Corrections of Prior Period Errors

The Museum has as its policy to contribute all endowment funds received to the Royal Aviation Museum Endowment Funds held and managed by The Winnipeg Foundation. As a result, endowment contributions received are approved for contribution to The Winnipeg Foundation in the same fiscal year. During the year, Museum management noted that the balance due to The Winnipeg Foundation at December 31, 2022 and 2021 were incorrectly presented as an Endowment Fund balance at December 31, 2022 and 2021.

During the year, Museum management has determined that the interest on loans expense is more suitably presented as an expense of the Capital Fund instead of the Operating Fund given that the loan payable relates to funding the construction and establishment of the new facilities. As a result, the interest on loans expense was incorrectly presented as an expense of the Operating Fund for the year ended December 31, 2022.

Comparative amounts presented in these non-consolidated financial statements have been restated to correct for these errors as follows:

	As Previously Reported	Adjustment	Restated
Payables and accruals			
Due to The Winnipeg Foundation	\$ -	\$ 222,277	\$ 222,277
Fund Balance - Endowment Fund			
Balance, beginning of year	142,951	(142,951)	-
Transfer to The Winnipeg Foundation	(142,951)	142,951	-
Fund Balance - Operating Fund			
Balance, beginning of year	146,652	197,941	344,593
Fund Balance - Capital Fund			
Balance, beginning of year	36,428,957	(197,941)	36,231,016
Expenses			
Contributions to The Winnipeg Foundation	-	222,277	222,277

18. Comparative Figures

Certain comparative figures have been reclassified in order to conform to the current year's presentation.