

Consolidated Financial Statements of

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

December 31, 2022

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, 2022, 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, 2022, 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, 2022 and net assets as at December 31, 2022.

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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Winnipeg, Manitoba
May 24, 2023

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ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Consolidated Statement of Operations
Year Ended December 31, 2022

| | Operating Fund 2022 | Capital Fund 2022 | Endowment Fund 2022 | Total All Funds 2022 | Operating Fund 2021 | Capital Fund 2021 | Endowment Fund 2021 | Total All Funds 2021 |
|--|---------------------------|-------------------------|---------------------------|----------------------------|---------------------------|-------------------------|---------------------------|----------------------------|
| REVENUE | | | | | | | | |
| Admissions | \$ 539,638 | \$ - | \$ - | \$ 539,638 | \$ - | \$ - | \$ - | \$ - |
| Annual passes | 40,244 | - | - | 40,244 | 575 | - | - | 575 |
| Contributions | - | 7,042,484 | 222,277 | 7,264,761 | - | 9,951,445 | 142,951 | 10,094,396 |
| Donations - in kind | - | - | - | - | 7,400 | - | - | 7,400 |
| Donations | 51,509 | - | - | 51,509 | 46,543 | - | - | 46,543 |
| Education department | 42,249 | - | - | 42,249 | 2,003 | - | - | 2,003 |
| Facility rentals | 315,576 | - | - | 315,576 | - | - | - | - |
| Gift shop | 286,079 | - | - | 286,079 | 4,039 | - | - | 4,039 |
| Government subsidies (Note 15) | - | 162,857 | - | 162,857 | - | 505,301 | - | 505,301 |
| Grants | | | | | | | | |
| Province of Manitoba | 115,964 | - | - | 115,964 | 140,019 | - | - | 140,019 |
| City of Winnipeg | 64,500 | - | - | 64,500 | 49,500 | - | - | 49,500 |
| Interest and other | 24,964 | - | - | 24,964 | 7,238 | - | - | 7,238 |
| Investment income | 140,152 | 10,047 | - | 150,199 | 62,211 | 7,113 | - | 69,324 |
| Parking revenue | 78,619 | - | - | 78,619 | - | - | - | - |
| Realized gain on sale of investments | - | 15,709 | - | 15,709 | - | 139,575 | - | 139,575 |
| Tour Revenue | 5,691 | - | - | 5,691 | - | - | - | - |
| Special projects | 29,702 | - | - | 29,702 | - | - | - | - |
| | 1,734,887 | 7,231,097 | 222,277 | 9,188,261 | 319,528 | 10,603,434 | 142,951 | 11,065,913 |
| EXPENSES | | | | | | | | |
| Administrative and general | 565,515 | 20,438 | - | 585,953 | 514,737 | 18,132 | - | 532,869 |
| Aircraft restoration and exhibits | 263,750 | - | - | 263,750 | 317,677 | - | - | 317,677 |
| Archives and library | 7,041 | - | - | 7,041 | 1,183 | - | - | 1,183 |
| Depreciation | - | 1,764,486 | - | 1,764,486 | - | 49,972 | - | 49,972 |
| Education department expenses | 9,702 | - | - | 9,702 | 523 | - | - | 523 |
| Equipment costs | 76,076 | - | - | 76,076 | 18,773 | - | - | 18,773 |
| Equipment costs- in kind | - | - | - | - | - | - | - | - |
| Facility rental expenses | 76,195 | - | - | 76,195 | 130 | - | - | 130 |
| Gift shop cost of sales | 164,605 | - | - | 164,605 | 5,461 | - | - | 5,461 |
| Hangar complex operating expenses | 454,302 | - | - | 454,302 | 81,326 | - | - | 81,326 |
| Interest on loan | 197,941 | - | - | 197,941 | 60,472 | - | - | 60,472 |
| Parking expenses | 12,688 | - | - | 12,688 | - | - | - | - |
| Public relations and programs | 86,386 | - | - | 86,386 | 134 | - | - | 134 |
| Personnel costs and benefits | 1,128,744 | 115,812 | - | 1,244,556 | - | 942,137 | - | 942,137 |
| Loss on disposal of fixed assets | - | - | - | - | - | 9,026 | - | 9,026 |
| | 3,042,945 | 1,900,736 | - | 4,943,681 | 1,000,416 | 1,019,267 | - | 2,019,683 |
| EXCESS OF (EXPENSES OVER REVENUE) | | | | | | | | |
| REVENUE OVER EXPENSES | \$ (1,308,058) | \$ 5,330,361 | \$ 222,277 | \$ 4,244,580 | \$ (680,888) | \$ 9,584,167 | \$ 142,951 | \$ 9,046,230 |

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC

Consolidated Statement of Financial Position

December 31, 2022

| | Operating Fund | Capital Fund | Endowment Fund | Total All Funds 2022 | Total All Funds 2021 |
|---|-------------------|----------------------|-------------------|----------------------|----------------------|
| ASSETS | | | | | |
| CURRENT | | | | | |
| Cash | \$ 528 | \$ 49,419 | \$ - | \$ 49,947 | \$ 53,463 |
| Cash - restricted (Note 3) | 7,500 | - | - | 7,500 | - |
| Investments (Note 4) | - | 576,526 | 222,277 | 798,803 | 1,371,224 |
| Accounts receivable | 134,643 | - | - | 134,643 | 212,451 |
| Inventory | 143,733 | - | - | 143,733 | 94,573 |
| Prepaid expenses | 37,769 | - | - | 37,769 | 22,139 |
| | 324,173 | 625,945 | 222,277 | 1,172,395 | 1,753,850 |
| PROPERTIES AND CAPITAL ASSETS (Note 5) | | | | | |
| | - | 39,421,088 | - | 39,421,088 | 37,708,053 |
| | \$ 324,173 | \$ 40,047,033 | \$ 222,277 | \$ 40,593,483 | \$ 39,461,903 |
| LIABILITIES | | | | | |
| CURRENT | | | | | |
| Bank indebtedness (Note 6) | \$ 9,581 | \$ - | \$ - | \$ 9,581 | \$ 474,804 |
| Accounts payable | 103,987 | 68,889 | - | 172,876 | 1,069,768 |
| Deferred revenue | 63,953 | - | - | 63,953 | - |
| Current portion of long-term debt (Note 7) | - | 3,480,137 | - | 3,480,137 | 5,124,454 |
| | 177,521 | 3,549,026 | - | 3,726,547 | 6,669,026 |
| LONG-TERM DEBT (Note 7) | - | 69,050 | - | 69,050 | 69,050 |
| DEFERRED CONTRIBUTIONS (Note 8) | | | | | |
| | - | - | - | - | 27,570 |
| | 177,521 | 3,618,076 | - | 3,795,597 | 6,765,646 |
| FUND BALANCES | | | | | |
| Operating | 146,652 | - | - | 146,652 | 198,714 |
| Capital | - | 36,428,957 | - | 36,428,957 | 32,354,592 |
| Endowment | - | - | 222,277 | 222,277 | 142,951 |
| | 146,652 | 36,428,957 | 222,277 | 36,797,886 | 32,696,257 |
| | \$ 324,173 | \$ 40,047,033 | \$ 222,277 | \$ 40,593,483 | \$ 39,461,903 |

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2022

| | Operating Fund | Capital Fund | Endowment Fund | Total |
|--|--------------------|----------------------|-------------------|----------------------|
| Balance, January 1, 2021 | \$ 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 |
| Excess of (expenses over revenue) revenue over expenses | (1,308,058) | 5,330,361 | 222,277 | 4,244,580 |
| Transfer to The Winnipeg Foundation | - | - | (142,951) | (142,951) |
| Interfund transfer | 1,255,996 | (1,255,996) | - | - |
| Balance, December 31, 2022 | \$ 146,652 | \$ 36,428,957 | \$ 222,277 | \$ 36,797,886 |

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|--------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 4,244,580 | \$ 9,046,230 |
| Items not affecting cash | | |
| Depreciation | 1,764,486 | 49,972 |
| Amortization of deferred contributions | (27,570) | - |
| Loss on disposal of capital asset | - | (9,026) |
| Donations - in kind | - | (7,400) |
| | 5,981,496 | 9,079,776 |
| Changes in non-cash operating working capital balances | | |
| Accounts receivable | 77,808 | 160,503 |
| Inventory | (49,160) | (78,909) |
| Prepaid expenses | (15,630) | - |
| Accounts payable | (896,892) | (1,092,481) |
| Deferred revenue | 63,953 | - |
| | 5,161,575 | 8,068,889 |
| FINANCING ACTIVITIES | | |
| (Decrease) increase in bank indebtedness | (465,223) | 474,804 |
| Proceeds from long-term debt | 848,625 | 5,173,174 |
| Repayment of long-term debt | (2,492,942) | (50,000) |
| | (2,109,540) | 5,597,978 |
| INVESTING ACTIVITIES | | |
| (Increase) decrease in cash restricted for special projects | (7,500) | 32,850 |
| Net decrease in investments | 572,421 | 1,146,541 |
| Acquisition of capital assets | (3,477,521) | (16,515,422) |
| Transfer of investments to The Winnipeg Foundation | (142,951) | (424,148) |
| | (3,055,551) | (15,760,179) |
| NET DECREASE IN CASH POSITION | (3,516) | (2,093,312) |
| CASH, BEGINNING OF YEAR | 53,463 | 2,146,775 |
| CASH, END OF YEAR | \$ 49,947 | \$ 53,463 |

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

1. DESCRIPTION OF THE MUSEUM

The Western Canada Aviation Museum Inc. was incorporated on January 7, 1974 for the purposes of preservation, restoration and educational display of Canada's aviation heritage. In late 2014 Her Majesty Queen Elizabeth II granted the Museum a 'Royal' designation and the Museum changed its name to the Royal Aviation Museum of Western Canada Inc. (the "Museum").

The Museum is a not-for-profit, charitable organization under the Income Tax Act and accordingly is exempt from income taxes under section 149.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using fund accounting. The consolidated financial statements reflect the following significant accounting policies:

a) *Principles of consolidation*

The consolidated financial statements include the accounts of the Museum and its wholly owned subsidiary, 3039677 Manitoba Ltd. All significant inter-company transactions and accounts have been eliminated on consolidation.

b) *Fund accounting*

The Capital Fund reports the assets, liabilities, revenues and expenses related to capital assets and the capital campaign. The Endowment Fund reports resources contributed for endowment. Investment income, gains and losses on resources of the Endowment Fund are reported in the Endowment Fund. The Operating Fund reports all other revenues and expenses, including those related to museum operations, unrestricted contributions and special projects.

c) *Revenue recognition*

The Museum follows the restricted fund method of accounting for contributions, which include donations and government grants. If a restricted contribution is received for a purpose not separately reflected in a restricted fund, it is accounted for in the operating fund using the deferral method.

The Museum is funded by private and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *Revenue recognition (continued)*

Externally restricted contributions for special projects are recognized as revenue in the Operating Fund in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets and the contributions of non-depreciable assets in-kind are recorded as revenue in the Capital Fund.

Membership fees are recognized in the fiscal year to which they relate.

Rents, admissions and other income are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

d) *Inventory*

Inventory is comprised primarily of books and souvenirs. The inventory of merchandise acquired for resale through the gift shop 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.

Inventory recognized as an expense during the year amounted to \$164,605 (2021 - \$5,461).

e) *Properties and capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

| | |
|----------------------------------|-----------------|
| Aircraft and artifacts | Not depreciated |
| Building and building components | 10-56 years |
| Educational exhibits | 10 years |
| Furniture and equipment | 10 years |
| Storage and frame buildings | 25 years |
| Outdoor signs | 5 years |

In the year of acquisition, a half-year of depreciation expense is recorded. Depreciation is not recorded for assets not yet in use.

f) *Volunteers*

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

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) *Donations in kind*

Donations of property and materials are recorded at fair market value as determined by industry appraisals approved by the Board of Directors.

h) *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.

i) *Western Canada Aviation Museum Foundation Inc.*

The Museum is the benefactor of a Foundation that was established in 1995. The income earned on investments held by the Foundation is available to the Museum for operations and special projects. The Executive of the Museum Board of Directors acts as Trustees for the Foundation.

Due to the economic interest in the Foundation, this entity is considered to be controlled by the Museum. The Museum reports its interest in the Foundation by providing the disclosure in Note 10.

j) *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 allowance for doubtful accounts and estimated useful life of capital assets. Actual results could differ from these estimates.

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

3. CASH - RESTRICTED

Included in cash at December 31, 2022 are amounts of \$7,500 (2021 - \$nil) that are restricted for use on special projects.

4. INVESTMENTS

| | 2022 | | 2021 | |
|-------------------------|------|---------|------|-----------|
| Cash & cash equivalents | \$ | 798,803 | \$ | 1,371,224 |
| Current portion | | 798,803 | | 1,371,224 |
| Long term | \$ | - | \$ | - |

5. PROPERTIES AND CAPITAL ASSETS

| | 2022 | | | 2021 |
|--------------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Aircraft and artifacts | \$ 1,939,214 | \$ - | \$ 1,939,214 | \$ 1,939,214 |
| Building & building components | 28,692,357 | 968,950 | 27,723,407 | - |
| Educational exhibits | 4,832,695 | 483,269 | 4,349,426 | - |
| Furniture and equipment | 2,776,375 | 580,657 | 2,195,718 | 461,316 |
| Storage building | 157,749 | 156,010 | 1,739 | 5,104 |
| Frame building | 27,083 | 11,992 | 15,091 | 15,706 |
| Land - St. Andrews | 17,137 | - | 17,137 | 17,137 |
| Outdoor signs | 45,104 | 45,104 | - | - |
| Leasehold improvements | - | - | - | 13,943 |
| New facility development | 3,237,162 | 57,806 | 3,179,356 | 3,056,014 |
| Exhibits in progress | - | - | - | 2,463,358 |
| Miscellaneous capital project | - | - | - | 1,151,189 |
| Construction in progress | - | - | - | 28,585,072 |
| | \$ 41,724,876 | \$ 2,303,788 | \$ 39,421,088 | \$ 37,708,053 |

During the year, capital assets were acquired with a total value of \$3,477,522 (2021 - \$16,456,014). Of the total acquired assets, \$nil was contributed (2021 - \$nil). During the year, the building and related assets were put into use and \$28,692,358 of assets were transferred into their respective asset classes and depreciation commenced.

6. BANK INDEBTEDNESS

The Museum has a \$100,000 line of credit with interest at the prime rate from the Canadian Imperial Bank of Commerce (CIBC). Security is provided by a first-priority security interest in all present and future personal property. In addition, appropriate fire and other perils insurance on the property that are subject to CIBC's security, with loss payable to CIBC and with designation to CIBC.

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

6. BANK INDEBTEDNESS (continued)

The Museum has a \$500,000 line of credit with interest at the prime rate from the Assiniboine Credit Union (ACU). Security for the line of credit and the ACU facility described in Note 7 is as follows:

- General Security Agreement over all assets of the Corporation, which represent a first charge on all site specific assets presently owned and thereafter acquired, including all proceeds and revenues of the borrower, to be registered in the MB Personal Property Registry.
- General Assignment of Capital Campaign Fundraising Pledges, to be registered in the MB Personal Property Registry.
- Assignment/Mortgage of Lease over Real Property (Building only) known as the Aviation Museum.
- Letter of Direction specifying 90% of confirmed Campaign pledges (amounting to \$6,210,000) to be received in 2021 to 2024 will be directed towards repayment of ACU Loan.
- Letter of undertaking specifying a minimum 45% of new/additional campaign pledges to be raised and received (exclusive of the \$6,210,000 confirmed pledges) will be directed towards repayment of ACU loan.
- Assignment of adequate all risk insurance coverage, throughout construction and operational phases.
- Any other standard security as reasonably requested/required by ACU or its solicitors.

7. LONG-TERM DEBT

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-------------|
| Mortgage payable for St. Andrews land, no fixed principal payments, unsecured, interest-free | \$ 1,280 | \$ 1,280 |
| Promissary notes, no specific terms of repayment, unsecured, interest-free | 9,050 | 9,050 |
| Canada Emergency Business Account (CEBA) interest-free loans of \$40,000 and \$20,000. \$10,000 of each loan is forgivable if repaid by December 31, 2023 | 60,000 | 60,000 |
| ACU Variable Rate Demand Promissary note, bearing interest at ACU prime rate (6.45%), repayable by December 31, 2024, due on demand, secured as described in Note 6 | 3,478,857 | 5,123,174 |
| | 3,549,187 | 5,193,504 |
| Less current portion | 3,480,137 | 5,124,454 |
| | \$ 69,050 | \$ 69,050 |

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

8. DEFERRED CONTRIBUTIONS

Changes in the deferred contributions balance are as follows:

| | 2022 | 2021 |
|-----------------------------|-----------|-----------|
| Balance, beginning of year | \$ 27,570 | \$ 27,570 |
| Funding of special projects | (27,570) | - |
| Balance, end of year | \$ - | \$ 27,570 |

Deferred contributions represent the unexpended amount of contributions received for specific projects.

9. ROYAL AVIATION MUSEUM ENDOWMENT FUNDS

By agreement with The Winnipeg Foundation, the Western Canada Aviation Museum Inc. Fund was created to administer funds bequeathed to the Museum or directly to The Winnipeg Foundation on behalf of the Museum. In February 2016 by amending agreement this fund was renamed the Royal Aviation Museum Endowment Fund and a second Endowment Fund was created Honouring George T. Richardson. The ownership of the funds vest in The Winnipeg Foundation but the annual income of the funds is paid to the Museum, based on the funds' value. The Museum contributed \$1,000,000 to the Royal Aviation Museum Endowment Fund Honoring George T. Richardson in 2016, \$424,148 in 2021 and a further \$142,951 in 2022. As of December 31, 2022, the funds had a current market value of \$1,761,906 (2021 - \$1,767,897)

10. WESTERN CANADA AVIATION MUSEUM FOUNDATION INC.

The summarized financial statements of the Foundation are as follows:

| | 2022 | 2021 |
|----------------------|------------|------------|
| Assets | | |
| Current | \$ 1,983 | \$ 1,983 |
| Investments | 129,367 | 129,367 |
| Total assets | 131,350 | 131,350 |
| Total liabilities | - | - |
| Net Assets | \$ 131,350 | \$ 131,350 |
| Revenue | \$ - | \$ - |
| Expenditures | - | - |
| Balance, end of year | \$ - | \$ - |

During the year no new contributions were received by the Foundation (2021 - \$Nil).

ROYAL AVIATION MUSEUM OF WESTERN CANADA INC.

Notes to the Consolidated Financial Statements

December 31, 2022

11. LEASE COMMITMENT

The Museum has entered into a lease for office space on King Edward Street with a term ending September 30, 2027. Annual basic rental payments are \$116,000 plus GST, plus a proportionate share of property taxes and services currently amounting to \$48,000 plus GST on an annual basis.

12. EXPENSES

Certain of the Museum's expenditures are subject to Goods and Services Tax, a portion of which is non-recoverable due to the not-for-profit charitable status of the Museum.

13. CAPITAL CAMPAIGN

The Museum has recently concluded 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. Revenue received by the museum for the Capital Campaign and costs associated with the fundraising, including staff wages, design, and construction costs are recorded in the Capital Fund. Pledges of support are not recorded in the financial statements until the funds are received. In the current year the construction of the Museum was completed. The capital campaign is ongoing to support the credit facility outstanding as a result of constructing the new Museum.

14. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Museum's cash flows, financial position and revenue. The risk arises from differences in the timing and amount of cash flows related to the Museum's investment in mutual funds. The Museum does not use derivative instruments to reduce exposure to interest risk.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, the nature of the Museum's funding base minimizes this risk.

15. GOVERNMENT ASSISTANCE

During the year, the Museum received \$156,856 of government assistance related to the Tourism and Hospitality Program for wages and rent and \$6,000 (2021 - \$12,000) for a summer student grant. In 2021, the Museum received \$357,830 of government assistance related to the Canada Emergency Wage Subsidy and \$147,470 of government assistance related to the Canada Emergency Rent Subsidy and other rent subsidies.

16. COMPARATIVE FIGURES

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