

**FRIENDS OF THE  
ROYAL SASKATCHEWAN MUSEUM INC.**

**Financial Statements**

**Year Ended March 31, 2023**

*Draft for discussion purposes only*

Prepared by	Reviewed by
RJS 5/31/23	

**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

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**Year Ended March 31, 2023**

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# DUDLEY & COMPANY LLP

*Chartered Professional Accountants*

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Friends of the Royal Saskatchewan Museum Inc.

### *Qualified Opinion*

We have audited the financial statements of Friends of the Royal Saskatchewan Museum Inc. (the organization), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 March 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities the completeness of which is not susceptible of 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 contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation of scope.

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 Financial Statements* section of our report. We are independent of the organization in accordance with 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 ASNPO, 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.

(continues)

Independent Auditor's Report to the To the Members of Friends of the Royal Saskatchewan Museum Inc.  
(continued)

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 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 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 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.

**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Statement of Financial Position**

**March 31, 2023**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT</b>		
Operating cash (Note 3)	\$ 259,886	\$ 243,543
Restricted cash (Notes 2, 3)	1,158,240	803,770
Accounts receivable	24,307	26,937
Inventory (Notes 2, 4)	71,631	71,998
Prepaid expenses	4,482	3,734
	<u>1,518,546</u>	<u>1,149,982</u>
CAPITAL ASSETS (Notes 2, 5)	7,459	8,154
INTANGIBLE ASSETS (Note 6)	82	117
<b>TOTAL ASSETS</b>	<b><u>\$ 1,526,087</u></b>	<b><u>\$ 1,158,253</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 58,176	\$ 20,749
Deferred revenue (Notes 2, 7)	191,320	141,473
	<u>249,496</u>	<u>162,222</u>
<b>NET ASSETS</b>		
Unrestricted Equity - Page 5	110,811	183,990
Restricted Equity - Pages 5, 6	1,158,239	803,770
Capital Asset Equity - Page 5	7,541	8,271
	<u>1,276,591</u>	<u>996,031</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,526,087</u></b>	<b><u>\$ 1,158,253</u></b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

Printed: June 20, 2023 9:28 AM      Prep \_\_\_\_\_ Added \_\_\_\_\_ Approved \_\_\_\_\_

The accompanying notes form an integral part of these financial statements

**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Statement of Operations  
Year Ended March 31, 2023**

	Operating Funds	Restricted Funds	Capital Funds	Total 2023	Total 2022
<b>REVENUE</b>					
Administration revenue	\$ 29,594	\$ -	\$ -	\$ 29,594	\$ 56,315
Donations revenue	122,912	205,375	-	328,287	269,324
Events revenue	6,140	10,120	-	16,260	-
Facilities revenue	-	12,966	-	12,966	5,959
Gift shops revenue	222,042	-	-	222,042	159,477
Government assistance revenue (Note 13)	-	-	-	-	44,489
Research revenue	-	140,246	-	140,246	214,584
Sponsorship revenue	18,400	198,206	-	216,606	132,982
Young Canada Works revenue	-	26,662	-	26,662	8,219
	399,088	593,575	-	992,663	891,349
<b>EXPENSES</b>					
Administration expenses	175,905	-	2,116	178,021	170,806
Events expenses	19,244	14,849	-	34,093	-
Facilities expenses	-	7,079	-	7,079	3,103
Gift shops expenses	222,888	-	-	222,888	171,493
Research expenses	-	190,183	-	190,183	170,539
Royal Saskatchewan Museum expenses (Note 8)	-	27,401	-	27,401	221,213
Scholarships	-	24,600	-	24,600	6,150
Exhibits and programming expenses	-	1,176	-	1,176	-
Young Canada Works expenses	-	26,662	-	26,662	8,219
	418,037	291,950	2,116	712,103	751,523
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	\$ (18,949)	\$ 301,625	\$ (2,116)	\$ 280,560	\$ 139,826

**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2023**

	Unrestricted Equity	Restricted Equity	Capital Asset Equity	2023	2022
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 183,990	\$ 803,770	\$ 8,271	<b>\$ 996,031</b>	\$ 856,205
Excess of revenue over expenses	(18,949)	301,625	(2,116)	<b>280,560</b>	139,826
Transfers between funds	(54,230)	52,844	1,386	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 110,811</b>	<b>\$ 1,158,239</b>	<b>\$ 7,541</b>	<b>\$ 1,276,591</b>	<b>\$ 996,031</b>

**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Statement of Changes in Restricted Equity**

**Year Ended March 31, 2023**

	Opening Balance	Allocated Surplus	Internal Transfers	2023
<b>RESTRICTED FUNDS/RESERVES</b>				
FRSM Capital Reserve Fund	\$ 19,953	\$ -	\$ (1,385)	\$ 18,568
RSM General Reserve Fund	126,581	-	(1,584)	124,997
RSM Graduate Student Scholarship Fund	21,072	(6,504)	-	14,568
RSM Opportunity Reserve Fund	485,777	299,541	82,555	867,873
RSM Research Reserve Fund	150,387	8,588	(26,742)	132,233
	<u>\$ 803,770</u>	<u>\$ 301,625</u>	<u>\$ 52,844</u>	<u>\$ 1,158,239</u>



**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Statement of Cash Flows  
Year Ended March 31, 2023**

	2023	2022
<b>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>		
Cash receipts from gift shop customers	\$ 222,042	\$ 156,453
Cash receipts from grants and other sources	823,099	686,880
Cash paid to suppliers and employees	(672,942)	(733,113)
Cash receipts from government assistance	-	72,866
	<hr/>	<hr/>
Cash Flows From (For) Operating Activities	372,199	183,086
<b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,386)	-
	<hr/>	<hr/>
<b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES</b>		
Repayment of long term debt	-	(60,000)
	<hr/>	<hr/>
<b>Net change in cash and cash equivalents during the year</b>	<b>370,813</b>	<b>123,086</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>1,047,313</b>	<b>924,227</b>
	<hr/>	<hr/>
<b>CASH - END OF YEAR</b>	<b>\$ 1,418,126</b>	<b>\$ 1,047,313</b>
	<hr/>	<hr/>
<b>CASH CONSISTS OF:</b>		
Operating cash	\$ 259,886	\$ 243,543
Restricted cash	1,158,240	803,770
	<hr/>	<hr/>
	<b>\$ 1,418,126</b>	<b>\$ 1,047,313</b>
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# FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.

## Notes to Financial Statements

Year Ended March 31, 2023

### 1. DESCRIPTION OF BUSINESS

Friends of the Royal Saskatchewan Museum Inc. (the "organization", or "FRSM") is a non-profit corporation established under Saskatchewan laws to operate business and public program activities for the benefit of the Royal Saskatchewan Museum ("RSM"). The activities of the corporation are promoting the interests of the Royal Saskatchewan Museum, assisting the museum in publicizing its activities, needs, and offerings, bringing to the assistance of the museum on a voluntary basis, the talents and abilities of the public at large, and undertaking such other activities as from time to time may be deemed appropriate by the museum.

Income generated by the corporation is to be used to fund museum projects. Upon liquidation and dissolution of the corporation, the assets remaining shall be transferred to the Royal Saskatchewan Museum.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits with maturities of twelve months or less.

#### Inventory

Inventory is recorded at the lower of cost and estimated net realizable value.

#### Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

Other equipment	20%
Gift shops fixtures	20%

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**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2023**

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

Revenue recognition

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable. Revenues from sales and programming are recognized when merchandise is delivered or when services are rendered and when reasonable assurance exists regarding collectability. Revenues from sponsorships are recognized in the period in which the sponsorship covers and when reasonable assurance exists regarding collectability. Revenues from government subsidies are recognized in the period in which the subsidy covers and when reasonable assurance exists regarding collectability.

Restricted cash

Cash restricted for use towards the completion of projects and specific programs by the Royal Saskatchewan Museum and the corporation whose revenue has been deferred has been shown separately from cash available for general operations.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant assets requiring estimates are the capital assets. Actual results could differ from these estimates.

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**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2023**

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

Fund accounting

A portion of the monies received by the FRSM may only be used for specific purposes and accordingly are accounted for in separate funds.

**Unrestricted Funds consists of the following fund:**

FRSM Operating Reserve Fund - is used for the general operations of the FRSM. All transactions, except those which are applicable to other funds, are recorded in the account of this fund.

**Restricted Funds consist of the following funds:**

RSM Graduate Student Scholarship Fund - is internally restricted to provide scholarships annually to qualified graduate students for the RSM. The FRSM will allocate surplus funds from specific projects or events, bequests or other funding opportunities. Expenditures from this fund are defined in the RSM Graduate Scholarship Terms of Reference.

FRSM Capital Reserve Fund - is internally restricted for unexpected and necessary capital expenditures that may occur from time to time. The FRSM will allocate a portion of the annual operational surpluses, if required, to ensure the fund maintains a minimum balance of \$15,000 to a maximum of \$50,000. Expenditures of this fund must be part of the annual budget or approved by the Board of Directors.

RSM Opportunity Reserve Fund - is internally restricted to provide funds to the RSM to meet special targets of opportunity or needs of the RSM. It is also intended as a source of internal funds for organizational capacity building such as staff development, research or investment in infrastructure that will build long-term capacity at the RSM. Undirected donations and bequests to the RSM are directed to this fund, together with a portion of admission donations and facility revenues, as stipulated in the 2022-2024 agreement between the FRSM and the RSM.

RSM General Reserve Fund - is an externally restricted fund that will be used for directed donations and bequests to the RSM. All funds in this account are restricted for use by the RSM and must be used in the manner intended by the donor.

RSM Research Reserve Fund - is an externally restricted fund that represents the accumulation of research grants and other funding received on behalf of the RSM in excess of research expenses. The RSM's researchers and other staff secure funding from external sources directed to support research and other projects.

# FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.

## Notes to Financial Statements

Year Ended March 31, 2023

### 3. CASH

	2023	2022
Petty cash	\$ 2,002	\$ 1,750
Balances with bank	1,123,115	753,766
Term deposits	293,009	291,797
	<b>\$ 1,418,126</b>	<b>\$ 1,047,313</b>
Operating cash	\$ 259,886	\$ 243,543
Externally restricted cash	257,230	276,968
Internally restricted cash	901,010	526,802
	<b>\$ 1,418,126</b>	<b>\$ 1,047,313</b>

### 4. INVENTORY

Inventory, by gift shop location, is as follows:

	2023	2022
Museum Shop	\$ 68,039	\$ 71,770
Discovery Shop	6,562	3,198
Cost	74,601	74,968
Valuation allowance	(2,970)	(2,970)
	<b>\$ 71,631</b>	<b>\$ 71,998</b>

### 5. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Other equipment	\$ 11,717	\$ 10,223	\$ 1,494	\$ 1,867
Gift shops fixtures	29,280	23,315	5,965	6,287
	<b>\$ 40,997</b>	<b>\$ 33,538</b>	<b>\$ 7,459</b>	<b>\$ 8,154</b>

# FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.

## Notes to Financial Statements

Year Ended March 31, 2023

### 6. INTANGIBLE ASSETS

	2023	2022
Inventory tracking system	\$ 6,933	\$ 6,933
Accumulated amortization	(6,851)	(6,816)
	<u>\$ 82</u>	<u>\$ 117</u>

### 7. DEFERRED REVENUE

Deferred revenue represents major fundraising for projects and programs for which expenditures have not yet been incurred and sponsorships for which the related period of sponsorship coverage has not yet occurred. Transfers to revenue are made as related expenditures are made or when the period of sponsorship occurs. Deferred revenue transactions consisted of the following:

	Projects/ Programs	Sponsorships	2023	2022
Starting balance	\$ 32,155	\$ 109,318	\$ 141,473	\$ 138,428
Received/receivable	138,375	268,325	406,700	344,178
Revenue recognized	(140,247)	(216,606)	(356,853)	(341,133)
Ending Balance	<u>\$ 30,283</u>	<u>\$ 161,037</u>	<u>\$ 191,320</u>	<u>\$ 141,473</u>

Included in the deferred sponsorship revenue is \$149,938 (2022 - \$66,188) of restricted sponsorship funds that have been directed to the RSM Opportunity Reserve Fund. These funds, although allocated to the RSM Opportunity Reserve Fund, are not available for use by the RSM until revenue recognition is met as outlined in Note 2.

### 8. ROYAL SASKATCHEWAN MUSEUM EXPENSES

The following items were purchased on behalf of the Royal Saskatchewan Museum:

	2023	2022
"Home: Life in the Anthropocene" Exhibit	<u>\$ 27,401</u>	<u>\$ 221,213</u>

These purchases have been made on behalf of the Royal Saskatchewan Museum and the corporation has no rights of ownership to them.

### 9. DONATED SERVICES

The operation of the corporation utilizes the services of a number of volunteers. Since those services are not normally purchased by the organization, and due to difficulty of determining the fair market value of these donated services, the value of these donated services is not recognized in the financial statements.

# FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.

## Notes to Financial Statements

Year Ended March 31, 2023

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### 10. INCOME TAX STATUS

The corporation is a registered charity within the meaning of *The Income Tax Act* and is exempt from income taxes.

### 11. FINANCIAL INSTRUMENTS - MEASUREMENT AND IMPAIRMENT

The corporation initially measures its financial assets and financial liabilities at fair value. The corporation subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable. At the end of each reporting period, the corporation assesses whether there are any indications that a financial asset measured at amortized cost may be impaired, and if so, reduces the carrying amount accordingly.

### 12. FINANCIAL INSTRUMENTS - RISK EXPOSURES

Like any entity, the corporation is potentially exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. These include credit, liquidity, market, currency, interest rate and other price risks. None of these risk exposures are considered by management to be material, and there have been no changes in the corporation's risk exposures from the prior year.

### 13. GOVERNMENT ASSISTANCE

As a result of the COVID-19 pandemic, the federal government introduced the Canadian Emergency Wage Subsidy program and the 10% Temporary Wage Subsidy, in which a maximum of 75% of the eligible wages are paid to the company via a government subsidy in qualifying periods. As of March 31, 2023, the corporation has recorded \$0 (2022 - \$44,489) of these subsidies, which has been presented as government assistance revenue.

### 14. COVID-19 PANDEMIC

On March 11, 2020, the World Health organization declared a global pandemic for the COVID-19 virus. The pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. The corporation continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and accordingly, it is difficult to reliably measure the potential future impact on the corporation's financial position and operation. In the current year the corporation did realize significant increases in sales and donations due to the lifting of COVID-19 restrictions during the year. It is not expected to have an adverse affect on the financial position or operations in the subsequent year.

**FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.**

**Schedule of Gift Shops Revenue and Expenses**

**Year Ended March 31, 2023**

**(Schedule 1)**

	Museum Shop	Discovery Shop	Total 2023	Total 2022
<b>REVENUE</b>	\$ 178,191	\$ 37,817	\$ 216,008	\$ 156,453
<b>COST OF SALES</b>	98,865	22,131	120,996	91,824
<b>GROSS PROFIT</b>	79,326	15,686	95,012	64,629
<b>OTHER REVENUE</b>				
Sales tax commission and recovery	3,301	945	4,246	3,130
Vending and other	444	1,786	2,230	(17)
Cash short and over	(227)	(215)	(442)	(89)
	3,518	2,516	6,034	3,024
<b>EXPENSES</b>				
Telephone	784		784	804
Supplies	3,435	350	3,785	4,879
Equipment maintenance	2,544	2,696	5,240	5,374
Manager wages	33,406	-	33,406	26,991
Casual wages	47,623	1,787	49,410	33,674
Gift shows and travel	-	886	886	1,086
Freight-in	330	344	674	407
Bank charges and interest	5,659	2,048	7,707	6,454
	93,781	8,111	101,892	79,669
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	\$ (10,937)	\$ 10,091	\$ (846)	\$ (12,016)