

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

Financial Statements

Year Ended March 31, 2020

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Index to Financial Statements
Year Ended March 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Members' Equity	5
Statement of Changes in Restricted Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12
Schedule of Gift Shops Revenue and Expenses (<i>Schedule 1</i>)	13

INDEPENDENT AUDITOR'S REPORT

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 Corporation), which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in members' equity 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 Corporation as at March 31, 2020, 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 Corporation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Corporation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 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 Corporation 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 those 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

Regina, Saskatchewan
September 16, 2020


Dudley & Company LLP
Chartered Professional Accountants

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Statement of Financial Position
March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Operating cash (Note 3)	\$ 403,444	\$ 289,839
Restricted cash (Notes 2, 3)	253,583	664,133
Accounts receivable	33,701	52,919
Inventory (Notes 2, 4)	100,275	77,593
Prepaid expenses	6,129	2,261
	<u>797,132</u>	<u>1,086,745</u>
CAPITAL ASSETS (Notes 2, 5)	12,742	8,765
INTANGIBLE ASSETS (Note 6)	238	340
	<u>12,980</u>	<u>9,105</u>
TOTAL ASSETS	\$ 810,112	\$ 1,095,850
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 20,322	\$ 518,163
Deferred revenue (Notes 2, 7)	123,693	79,548
	<u>144,015</u>	<u>597,711</u>
NET ASSETS		
Unrestricted Equity - Page 5	217,434	168,434
Restricted Equity - Pages 5, 6	435,683	320,600
Capital Asset Equity - Page 5	12,980	9,105
	<u>666,097</u>	<u>498,139</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 810,112	\$ 1,095,850

ON BEHALF OF THE BOARD

Director

Director

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, 2020

	Operating Funds	Restricted Funds	Capital Funds	Total 2020	Total 2019
REVENUE					
Administration revenue	\$ 60,206	\$ -	\$ -	\$ 60,206	\$ 58,832
Donations revenue	251,561	32,501	-	284,062	159,851
Facilities revenue	23,093	-	-	23,093	32,760
Gift shops revenue	245,594	68,255	-	313,849	233,551
Public programs revenue	-	-	-	-	54,769
Research revenue	139,541	-	-	139,541	135,030
Young Canada Works revenue	18,522	-	-	18,522	30,855
Fund development revenue	100,145	-	-	100,145	19,365
Gallery space contribution revenue	-	-	-	-	472,000
	838,662	100,756	-	939,418	1,197,013
EXPENSES					
Administration expenses	174,598	7,375	2,492	184,465	134,129
Facilities expenses	20,355	-	-	20,355	35,527
Gift shops expenses	223,194	99,231	-	322,425	247,062
Public programs expenses	-	-	-	-	76,492
Research expenses	164,081	15,000	-	179,081	137,530
Young Canada Works expenses	18,522	-	-	18,522	30,855
Fund development expenses	4,212	-	-	4,212	24,372
Gallery space expenses (Note 8)	-	-	-	-	472,000
Loss on disposal of assets	-	-	-	-	76
Scotty cast expense (Note 8)	-	42,400	-	42,400	68,874
	604,962	164,006	2,492	771,460	1,226,917
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 233,700	\$ (63,250)	\$ (2,492)	\$ 167,958	\$ (29,904)

The accompanying notes form an integral part of these financial statements

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Statement of Changes in Members' Equity
Year Ended March 31, 2020

	Unrestricted Equity	Restricted Equity	Capital Asset Equity	2020	2019
MEMBERS' EQUITY - BEGINNING OF YEAR	\$ 168,434	\$ 320,600	\$ 9,105	\$ 498,139	\$ 528,043
Excess of revenue over expenses	233,700	(63,250)	(2,492)	167,958	(29,904)
Transfers between funds	(184,700)	178,333	6,367	-	-
MEMBERS' EQUITY - END OF YEAR	\$ 217,434	\$ 435,683	\$ 12,980	\$ 666,097	\$ 498,139

The accompanying notes form an integral part of these financial statements

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Statement of Changes in Restricted Equity
Year Ended March 31, 2020

	Opening Balance	Allocated Surplus	Internal Transfers	2020
RESTRICTED FUNDS (RESERVES)				
RSM Graduate Student Scholarship Fund	\$ 53,372	\$ (15,000)	\$ -	\$ 38,372
FRSM Capital Reserve	20,000	-	3,333	23,333
RSM Opportunity Reserve Fund	75,822	(7,375)	175,000	243,447
RSM General Reserve Fund	168,981	(42,400)	-	126,581
RSM T. rex Centre Reserve Fund	2,425	1,525	-	3,950
	<u>\$ 320,600</u>	<u>\$ (63,250)</u>	<u>\$ 178,333</u>	<u>\$ 435,683</u>

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Statement of Cash Flows
Year Ended March 31, 2020

	2020	2019
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Cash receipts from gift shop customers	\$ 306,260	\$ 225,495
Cash receipts from grants and other sources	741,517	869,329
Cash paid to suppliers and employees	<u>(1,338,356)</u>	<u>(743,452)</u>
Cash Flows From (For) Operating Activities	<u>(290,579)</u>	351,372
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES		
Purchase of capital assets	<u>(6,366)</u>	-
Net change in cash and cash equivalents during the year	(296,945)	351,372
CASH - BEGINNING OF YEAR	<u>953,972</u>	602,600
CASH - END OF YEAR (Note 3)	<u>\$ 657,027</u>	<u>\$ 953,972</u>

The accompanying notes form an integral part of these financial statements

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Notes to Financial Statements
Year Ended March 31, 2020

1. DESCRIPTION OF BUSINESS

Friends of the Royal Saskatchewan Museum Inc. (the "corporation", 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 (ASNFPO).

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%

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.

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FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Notes to Financial Statements
Year Ended March 31, 2020

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

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.

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. The FRSM will allocate 25% of annual operational surpluses to the fund to a maximum of \$500,000. The ED shall be the sole arbiter of what constitutes an acceptable expenditure under this fund.

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 T. rex Centre Reserve Fund - is an externally restricted fund intended to provide funds to the RSM to meet special targets of opportunity or need at the T. rex Discovery Centre in Eastend, SK. The RSM T. rex Centre Reserve 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 T. rex Centre. Net donations from casual visitors in Eastend will be allocated to the RSM T. rex Centre Reserve Fund. Total donations and the funds available for investment in the Centre will be reported annually to the RSM.

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FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Notes to Financial Statements
Year Ended March 31, 2020

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

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.

3. CASH

	2020	2019
Operating cash	\$ 403,444	\$ 289,839
Restricted cash	253,583	664,133
	\$ 657,027	\$ 953,972

4. INVENTORY

Inventory, by gift shop location, is as follows:

	2020	2019
Apperley	\$ 84,257	\$ 66,681
Eastend	20,168	14,162
Cost	104,425	80,843
Valuation allowance	(4,150)	(3,250)
	\$ 100,275	\$ 77,593

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Other equipment	\$ 11,717	\$ 8,799	\$ 2,918	\$ 3,647
Gift shops fixtures	28,726	18,902	9,824	5,118
	\$ 40,443	\$ 27,701	\$ 12,742	\$ 8,765

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.
Notes to Financial Statements
Year Ended March 31, 2020

6. INTANGIBLE ASSETS

	2020	2019
Inventory tracking system	\$ 6,933	\$ 6,933
Accumulated amortization	(6,695)	(6,593)
	\$ 238	\$ 340

7. DEFERRED REVENUE

Deferred revenue represents externally restricted major fundraising for projects and programs for which expenditures have not yet been incurred. Transfers to revenue are made as related expenditures are made. Deferred revenue transactions consisted of the following:

	Projects/ Programs	2020	2019
Starting balance	\$ 79,548	\$ 79,548	\$ 133,180
Received/receivable	184,215	184,215	588,762
Revenue recognized	(140,070)	(140,070)	(642,394)
Ending Balance	\$ 123,693	\$ 123,693	\$ 79,548

Projects and grant deferred revenue of \$123,050 (2019 - \$77,094) is considered restricted cash as it is held for use by the Royal Saskatchewan Museum or for specific programs.

8. ROYAL SASKATCHEWAN MUSEUM EXPENSES

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

	2020	2019
Gathering Space	\$ -	\$ 472,000
Scotty Gallery	42,400	68,874
	\$ 42,400	\$ 540,874

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, 2020

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. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. As a result, the Royal Saskatchewan Museum closed its doors to the public on March 20, 2020, resulting in significant loss of facility, donation and gift shop revenues in fiscal 2021. The Royal Saskatchewan Museum reopened in July of 2020 with reduced hours. Despite the loss of revenues, management feels this will not affect the FRSM ability to operate into the foreseeable future.

FRIENDS OF THE ROYAL SASKATCHEWAN MUSEUM INC.

Schedule of Gift Shops Revenue and Expenses

Year Ended March 31, 2020

(Schedule 1)

	Apperley	T.rex Discovery Centre	Total 2020	Total 2019
REVENUE	\$ 240,428	\$ 65,832	\$ 306,260	\$ 225,495
COST OF SALES	133,072	34,722	167,794	120,975
GROSS PROFIT	107,356	31,110	138,466	104,520
OTHER REVENUE				
Sales tax commission and recovery	4,766	1,315	6,081	4,847
Vending and other	508	222	730	1,561
Cash short and over	(107)	(209)	(316)	137
Fundraisers	-	1,095	1,095	1,510
	5,167	2,423	7,590	8,055
EXPENSES				
Telephone	1,811	487	2,298	2,445
Supplies	8,163	4,510	12,673	4,904
Equipment maintenance	1,927	4,384	6,311	4,444
Manager wages	26,608	17,263	43,871	32,148
Casual wages	46,684	34,985	81,669	76,324
Gift shows and travel	252	375	627	189
Advertising	207	272	479	85
Freight-in	-	264	264	225
Bank charges and interest	4,471	1,969	6,440	5,324
	-	-	-	-
	90,123	64,509	154,632	126,088
	90,123	64,509	154,632	126,088
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 22,400	\$ (30,976)	\$ (8,576)	\$ (13,513)

The accompanying notes form an integral part of these financial statements