

Financial Statements of

**FRIENDS OF THE CANADIAN
MUSEUM FOR HUMAN RIGHTS
INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Friends of the Canadian Museum for Human Rights Inc.

Opinion

We have audited the financial statements of Friends of the Canadian Museum for Human Rights Inc. (the "Entity"), which comprise the statement of financial position as at March 31, 2021, the statements of operations, 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 (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations and its 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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, 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chartered Professional Accountants

June 16, 2021

Winnipeg, Canada

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and restricted cash (note 3)	\$ 1,397,945	\$ 867,535
Investments (note 4)	802,025	1,303,369
Due from American Friends of CMHR (note 6)	-	14,685
Accounts receivable (note 10)	22,143	15,889
Prepaid expenses	30,422	30,943
Inventory	29,264	34,263
Current portion of pledges receivable (note 5)	840,496	955,712
	<u>3,122,295</u>	<u>3,222,396</u>
Pledges receivable (note 5)	4,479,348	1,474,341
	<u>\$ 7,601,643</u>	<u>\$ 4,696,737</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,187	\$ 40,408
Due to CMHR (note 6)	11,816	101,253
Bank lines of credit (note 9)	3,075,000	3,975,000
	<u>3,104,003</u>	<u>4,116,661</u>
Net assets:		
Restricted Fund	4,487,223	549,839
Endowment Fund	10,417	30,237
	<u>4,497,640</u>	<u>580,076</u>
	<u>\$ 7,601,643</u>	<u>\$ 4,696,737</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Restricted Fund	Endowment Fund	2021 Total	2020 Total
Revenue:				
Donations	\$ 631,519	\$ –	\$ 631,519	\$ 841,761
Pledges	3,649,110	–	3,649,110	407,470
Special events	597,159	–	597,159	571,918
Interest and other	110,772	36	110,808	38,046
	<u>4,988,560</u>	<u>36</u>	<u>4,988,596</u>	<u>1,859,195</u>
Operating expenses:				
Administrative services (note 6)	415,748	–	415,748	784,827
Amortization	–	–	–	4,293
Bank charges and interest	9,158	5	9,163	17,439
Computer	20,547	–	20,547	23,903
Courier and postage	2,561	–	2,561	7,122
Donor relations	3,564	–	3,564	25,268
Fundraising	231,579	–	231,579	221,975
Insurance	14,700	–	14,700	14,699
Miscellaneous	1,766	–	1,766	908
Professional fees	39,166	–	39,166	28,882
Recruitment	28,478	–	28,478	4,481
Staff development	265	–	265	2,199
Office support and supplies	44,067	–	44,067	27,980
Telephone	4,281	–	4,281	5,141
Travel	–	–	–	39,082
Website	410	–	410	410
	<u>816,290</u>	<u>5</u>	<u>816,295</u>	<u>1,208,609</u>
Other expenses:				
Allowance for doubtful pledges receivable	–	–	–	10,685
Endowment gift contribution (note 7)	–	19,851	19,851	70,000
Loan interest	64,886	–	64,886	134,913
	<u>64,886</u>	<u>19,851</u>	<u>84,737</u>	<u>215,598</u>
Gift to the Museum (note 6)	170,000	–	170,000	363,690
Excess (deficiency) of revenue over expenses	\$ 3,937,384	\$ (19,820)	\$ 3,917,564	\$ 71,298

See accompanying notes to financial statements.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Restricted Fund	Endowment Fund	2021 Total	2020 Total
Balance, beginning of year	\$ 549,839	\$ 30,237	\$ 580,076	\$ 508,778
Excess (deficiency) of revenue over expenses	3,937,384	(19,820)	3,917,564	71,298
Balance, end of year	\$ 4,487,223	\$ 10,417	\$ 4,497,640	\$ 580,076

See accompanying notes to financial statements.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,917,564	\$ 71,298
Adjustments for:		
Amortization of capital assets	-	4,293
Accrued interest on investments	1,344	(3,369)
Change in the following:		
Accounts receivable	(6,254)	(12,615)
Due from American Friends of CMHR	14,685	(3,959)
Prepaid expenses	521	12,547
Inventory	4,999	944
Pledges receivable	(2,889,791)	942,090
Accounts payable and accrued liabilities	(23,221)	(23,471)
Due to CMHR	(89,437)	17,504
	930,410	1,005,262
Investing activities:		
Acquisition of investments	-	(1,300,000)
Disposal of investments	500,000	-
	500,000	(1,300,000)
Financing activities:		
Repayment of lines of credit	(900,000)	(475,000)
Increase (decrease) in cash position	530,410	(769,738)
Cash position, beginning of year	867,535	1,637,273
Cash position, end of year	\$ 1,397,945	\$ 867,535

See accompanying notes to financial statements.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements

Year ended March 31, 2021

Friends of the Canadian Museum for Human Rights Inc. (the Organization) was established by Israel Asper O.C., O.M., Q.C., L.L.D. to act as the project proponent for the establishment of the Canadian Museum for Human Rights (the Museum). The Museum was created by an *Act of Parliament* on March 13, 2008.

The Organization is incorporated without share capital under the laws of Manitoba. Its principal activity is raising funds from individuals, foundations, corporations and governments to support capital, endowment and programming exclusively for the Museum. The Organization will be responsible for funding its operating expenses through private sector donations and other revenue. The Organization is registered as a charity with registration number 855114732 and is therefore exempt from income tax.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Fund accounting:

The Organization follows the restricted fund method of accounting for contributions.

The Restricted Fund reports only those resources that are to be used specifically for the Organization's operating expenses, education and programming projects of the Museum, and for capital costs of the Museum, including site development, building construction, interior furnishings, exhibits and other capital costs.

The Endowment Fund reports resources contributed for endowment which are to be managed in perpetuity. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund and used only for specific purposes as designated by the donors.

Invested in Capital Assets accounts for assets, liabilities, revenues and expenses related to capital assets.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry pledges receivable at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Revenue recognition:

Contributions including pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges receivable are recorded at the net present value of the estimated future cash flows of the pledges at prevailing market rates. Non-cash contributions of goods or services are recorded at their fair value as revenue and expense on the date of contribution. For the fiscal year 2021, non-cash contributions of goods and services of \$138,825 are included in revenue and expenses (2020 - \$194,121).

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(d) Contributed services:

Volunteers are an integral part of carrying out the activities of the Organization. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of pledges receivable. Actual results could differ from those estimates.

(f) Government assistance:

Government assistance related to current expenses is included in the determination of revenue for the year when the related expenditures are incurred. A liability to repay government assistance, if any, is recorded in the period in which the conditions arise that causes the assistance to become repayable.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Memorandum of Understanding:

The Organization signed a new Memorandum of Understanding (the MOU) on December 14, 2016 with the Museum. An Amendment to the MOU was signed on November 21, 2018 to update the governance section of the MOU to reflect that the Organization is responsible for the performance and oversight of all aspects of its operations. The MOU expires on December 14, 2021.

Under the terms of the MOU, the Organization is responsible for identifying and nurturing relationships with potential donors and sponsors, soliciting pledges, cash, securities, gifts in kind, real and intellectual property, planned gifts and other private resources for the financial support of the Museum, and acknowledging and stewarding such gifts in accordance with donor intent and its fiduciary responsibilities. The Organization remains committed to raising, managing, distributing and stewarding financial resources to support the various activities of the Museum in fulfilling its mandate. The Museum and the Organization will mutually determine funding priorities each year for capital campaigns, endowment requirements and unrestricted funding.

The Organization is responsible for funding received through private sector donations, other revenues and its operating expenditures as provided for in its approved annual budget. After the Organization has paid all of its operating expenses and repaid all of its bank lines of credit, the Organization will forward all remaining funds to the Museum as provided for in the MOU.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Cash and restricted cash:

Restricted cash consists of cash restricted for use toward designated Museum education programs, gallery and/or special project work and arise from contributions received from private and corporate donors and foundations.

	2021	2020
Cash – unrestricted	\$ 414,890	\$ 369,259
Cash – restricted	983,055	498,276
	<u>\$ 1,397,945</u>	<u>\$ 867,535</u>

4. Investments:

At March 31, 2021, the Organization held guaranteed investment certificates with an amortized cost of \$802,025 (2020 – \$1,303,369) and a face value of \$800,000 (2020 – \$1,300,000) with an annual yield percentage of 2.2% (2020 – 1.95% to 2.2%) , maturing on February 18, 2022 (2020 – February 18, 2021 to February 18, 2022).

5. Pledges receivable:

Pledges receivable consist of amounts pledged from various organizations, corporations and individuals that are to be used for the capital costs of the Museum and for support of education programming. These pledges are expected to be received over the next seven years.

	2021	2020
Pledges receivable:		
Within one year	\$ 840,496	\$ 955,712
In two to six years	4,097,232	1,467,576
In seven years	680,000	100,000
	<u>5,617,728</u>	<u>2,523,288</u>
Discounted at 1.02 percent (2020 – 2.54 percent)	(297,884)	(93,235)
Fair value of pledges	<u>5,319,844</u>	<u>2,430,053</u>
Current portion	840,496	955,712
Fair value of long-term pledges	<u>\$ 4,479,348</u>	<u>\$ 1,474,341</u>

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Pledges receivable (continued):

The pledges receivable are recorded net of an allowance for doubtful pledges receivable of \$153,438 (2020 - \$153,438).

6. Related parties:

Transactions between related parties are measured at their exchange amount at the date of the transaction and are in the normal course of operations based on established and agreed to values by the related parties.

The Canadian Museum for Human Rights:

While the Organization is a separate legal entity from the Museum, the Museum is a related entity as the Organization is the exclusive fundraising organization for the Museum and they make certain strategic decisions jointly.

The Organization has use of office space in the Museum's premises at an annual rate of \$1. The Organization records gifts as cash donations and pledge revenue. Transfers to the Museum of cash and non-cash gifts are recorded by the Organization as Gifts to the Museum.

In 2021, the Organization transferred gifts totaling \$170,000 (2020 - \$363,690) to the Museum to fund operational and educational programs. The gifts included a transfer of \$140,000 (2020 - \$222,000) cash and \$30,000 (2020 - \$141,690) of gifts in kind.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Related parties (continued):

Administrative service costs relating to an interchange agreement and a services agreement total \$173,556 for fundraising services (2020 - \$312,500 for fundraising, communication and financial services). Total amounts forgiven by the Museum for the 2021 fiscal year due to the impact of the COVID-19 pandemic and the allegations of systemic racism within the Museum on fundraising are \$150,000 (2020 – nil) for communications and financial services.

American Friends of the Canadian Museum for Human Rights:

American Friends of the Canadian Museum for Human Rights (American Friends) was incorporated in Illinois, United States effective September 12, 2005 to act exclusively as an entity based in the United States to receive gifts and issue tax receipts on behalf of the Organization. American Friends transfers funds to the Organization from time to time upon request.

During the year, American Friends received gifts of \$5,403 (2020 – nil) and transferred these funds to the Organization. This amount is included in pledges revenue.

7. Friends of the Canadian Museum for Human Rights Inc. Endowment Fund:

The Winnipeg Foundation has established the Friends of the Canadian Museum for Human Rights Inc. Endowment Fund (Endowment Fund), whose purpose is to provide income to support the education programs and other projects of the Museum. The Organization is the beneficiary of the net income of the Endowment Fund. The Endowment Fund is maintained and administered by The Winnipeg Foundation. Gifts to the Endowment Fund are irrevocable and shall be held and invested by The Winnipeg Foundation in perpetuity.

The Winnipeg Foundation provides an annual matching grant which is allocated to the Endowment Fund each fall based on the previous year's gift contribution. Investment income earned by The Winnipeg Foundation's Endowment Fund, net of administration fees is distributable to the Organization annually.

The Organization made capital gift contributions of \$19,851 for the year ended March 31, 2021 (2020 - \$70,000). The fair value of the contributed capital balance in the Organization's Endowment Fund maintained by The Winnipeg Foundation at March 31, 2021 is \$129,459 (2020- \$62,320).

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Financial risks:

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to its pledges receivable. The Organization assesses, on a continuous basis, pledges receivable and provides for any amounts that are not collectible in the allowance for doubtful pledges receivable.

Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2020.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Bank lines of credit:

The Organization has secured non-revolving lines of credit (the Credit) currently utilized to \$3,075,000 from certain financial institutions, the principal purpose of which is to facilitate the capital funding requirements of the Museum. The interest rate is set at bank prime minus 0.75 percent per annum. The advances are repayable on demand. The Credit is secured by a general security agreement and a loan guarantee.

	2021	2020
Bank of Nova Scotia	\$ 1,537,500	\$ 1,987,500
Assiniboine Credit Union	768,750	993,750
Cambrian Credit Union	768,750	993,750
Total credit utilized	\$ 3,075,000	\$ 3,975,000

Loan Guarantee Agreement:

The Manitoba Development Corporation, as agent for the Province of Manitoba, provides a loan repayment guarantee in the amount of \$25,000,000 in support of the Credit. Under the terms of the Loan Guarantee Agreement, with certain exceptions, all funds received from donors for capital, after payment of the Organization's operating, administration and interest expenses must be applied by the Organization in repayment of the Credit until repaid in full. The Loan Guarantee has an expiry date of June 30, 2022 and is associated with the above outstanding bank line credit at March 31, 2021.

FRIENDS OF THE CANADIAN MUSEUM FOR HUMAN RIGHTS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. COVID-19 Impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread to the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The Organization has accessed certain government assistance programs to assist with the impact of COVID-19 on the Organization's operations, which includes access to government subsidies to assist with the Organization's expenditures. For the year ended March 31, 2021, the Organization has claimed \$81,255 (2020 - nil) under the Canada Emergency Wage Subsidy for reimbursements of salaries with \$16,831 (2020 - nil) included in accounts receivable at March 31, 2021

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the Organization is not known at this time.