

Canadian Warplane Heritage
Financial Statements
For the year ended September 30, 2023

Canadian Warplane Heritage Contents

For the year ended September 30, 2023

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To the Members of Canadian Warplane Heritage:

Opinion

We have audited the financial statements of Canadian Warplane Heritage (the "Organization"), which comprise the balance sheet as at September 30, 2023, and the statements of operating revenues and expenses, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2023, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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 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.

Burlington, Ontario
December 6, 2023

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Canadian Warplane Heritage

Balance Sheet

As at September 30, 2023

	2023	2022
Assets		
Current		
Cash	126,189	216,677
Accounts receivable (Note 10)	40,792	85,881
Inventory	173,063	180,395
Prepaid expenses	34,200	32,005
Government remittances receivable	54,605	45,939
Short-term investments	2,356,659	1,917,469
	2,785,508	2,478,366
Long-term		
Endowment fund	203,753	203,753
Investments (Note 3)	42,802	37,617
	246,555	241,370
Capital assets		
Museum building (Note 4)	12,305,286	12,242,186
Parking lot	184,239	184,239
Collection	7,639,384	7,051,667
Land	664,584	664,584
Equipment and furniture, net of grants (Note 4)	990,492	977,867
Computer and equipment, net of grants (Note 4)	1,154,112	601,584
Grants (Note 4)	(9,010,190)	(9,010,190)
	13,927,907	12,711,937
Accumulated amortization	(2,968,035)	(2,854,774)
	10,959,872	9,857,163
	13,991,935	12,576,899
Liabilities		
Current		
Bank loan (Note 6)	125,785	161,724
Accounts payable and accrued liabilities	1,147,530	1,654,055
	1,273,315	1,815,779
Endowment fund	203,753	203,753
	1,477,068	2,019,532
Commitments (Note 8)		
Net assets		
Operating	1,308,440	458,834
Investment in capital assets	10,959,872	9,857,163
Restricted endowment	246,555	241,370
	12,514,867	10,557,367
	13,991,935	12,576,899

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Canadian Warplane Heritage

Statement of Operating Revenues and Expenses

For the year ended September 30, 2023

	2023	2022
Revenue		
Fundraising and special events	380,125	299,371
Food, beverage and catering	608,219	428,942
Volunteer donations	433,903	232,548
Retail	778,453	855,474
Flights	1,137,920	305,720
Admissions	582,570	445,438
Education	240,391	110,006
Memberships	318,594	315,761
Donations	2,941,194	913,267
Flying activities and support clubs	18,400	15,484
Government grants	25,100	-
Other	225,049	73,004
Facility, plane rental and events	274,215	157,133
	7,964,133	4,152,148
Expenses		
Salaries and benefits <i>(Note 10)</i>	2,097,126	1,523,382
Volunteer expenses	384,392	210,910
Aircraft maintenance <i>(Note 10)</i>	904,882	724,478
Administrative	424,170	410,695
Retail	476,152	483,646
Food, beverage and catering	464,991	265,030
Fuel and oil	332,979	243,863
Utilities	132,484	138,839
Insurance	72,099	89,929
Building maintenance	230,721	92,382
Fundraising and special events	102,863	71,121
Marketing	176,327	120,724
Membership	25,639	52,165
Legal and audit fees	30,000	30,000
Curatorial	15,618	4,922
Interest	13,545	8,522
Education	37,108	10,640
Facility, rental & events	35,403	13,863
	5,956,499	4,495,111
Excess of revenues over expenses (expenses over revenues) before other expenses	2,007,634	(342,963)
Other income (expense)		
Unrealized gain (loss) on investments	78,129	(37,855)
Amortization	(128,263)	(169,001)
	(50,134)	(206,856)
Net excess (shortfall) of revenues over expenses (expenses over revenues)	1,957,500	(549,819)

The accompanying notes are an integral part of these financial statements

Canadian Warplane Heritage Statement of Changes in Net Assets

For the year ended September 30, 2023

	<i>Operating</i>	<i>Invested in capital assets</i>	<i>Restricted endowment</i>	<i>2023</i>	<i>2022</i>
Net assets, beginning of year	458,834	9,857,163	241,370	10,557,367	11,107,185
Net excess (shortfall) of revenue over expenses (expenses over revenues)	1,952,315	-	5,185	1,957,500	(549,819)
Amortization	128,263	(128,263)	-	-	-
Purchase of capital assets	(1,230,972)	1,230,972	-	-	-
Net assets, end of year	1,308,440	10,959,872	246,555	12,514,867	10,557,366

The accompanying notes are an integral part of these financial statements

Canadian Warplane Heritage

Statement of Cash Flows

For the year ended September 30, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Net excess (shortfall) of revenue over expenses (expenses over revenue)	1,957,500	(549,819)
Amortization	128,263	169,001
Unrealized (gain) loss on investments	(78,129)	37,855
	2,007,634	(342,963)
Changes in working capital accounts		
Accounts receivable	45,089	(12,635)
Inventory	7,332	(71,757)
Prepaid expenses	(2,195)	(13,320)
Accounts payable and accrued liabilities	(506,525)	724,804
Government remittances	(8,666)	(37,339)
	1,542,669	246,790
Investing activities		
Purchases of capital assets	(1,230,972)	(275,235)
Purchases of investments	(1,105,245)	(427,840)
Proceeds on sale of investments	739,000	-
	(1,597,217)	(703,075)
Financing activities		
Repayments on bank loan	(35,939)	(35,938)
Net change in cash	(90,487)	(492,223)
Cash, beginning of the year	216,676	708,899
Cash, end of the year	126,189	216,676

The accompanying notes are an integral part of these financial statements

Canadian Warplane Heritage Notes to the Financial Statements

For the year ended September 30, 2023

1. Incorporation and nature of the organization

Canadian Warplane Heritage (the "Organization") was incorporated in December 1971 under the laws of Ontario. It is a registered not-for-profit organization and thus is exempt from income taxes under section 149.1 of the Income Tax Act ("the Act"). The Organization's purpose can be stated as follows:

- To acquire, document, preserve and maintain a complete collection of aircraft that were flown by Canadians and the Canadian military services from the beginning of World War II to present, including other related aviation artifacts and memorabilia of significant historic importance to this period.
- To provide facilities for the restoration and protection, interpretation and exhibits of the collection. These will be displayed in their natural element - aerial or static, with emphasis on all aspects of safety and legal obligations in relation to both the artifacts and public and to deliver programs that meet the standards for community museums in Ontario.
- To instruct, educate and entertain the general public through the maintenance and rotation of displays; flight demonstrations; special events and activities and to encourage Canadians of all ages to become actively involved in the preservation of these aircraft and artifacts.
- To maintain supportive exhibits in tribute to the thousands of men and women who built, serviced and flew these aircraft and in memory of those who did not return.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Financial instruments

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

(a) Investments in listed shares and derivative financial instruments that are not designated in a qualifying hedging relationship, which are measured at fair value at the balance sheet date.

Interest earned on short-term investments and realized gains and losses on sale of short-term investments are included in operating revenues and expenses in the statements of operating revenues and expenses.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to 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 excess of income over expenses as interest income or expense.

2. **Significant accounting policies** (continued from previous page)

Financial Instruments (continued from previous page)

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in operating revenues and expenses an impairment loss, if any, when there are indicators of impairment and 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 is reversed to excess of income over expenses in the period the reversal occurs.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in excess (shortfall) of operating revenues over expenses.

Fund accounting

Endowment gifts are reported as Endowment Funds. Investment income earned on resources of the Endowment Funds are reported in the appropriate Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Revenue recognition

The Organization follows the deferral method for accounting for contributions. Revenues from cash donations and memberships are recognized when the funds are received. Revenues from government grants and air show performances are recognized when services are rendered or in accordance with contractual agreements. Other forms of revenue are recognized as earned.

Gifts in kind

Gifts in kind for larger capital assets only are recognized as additions to capital assets in the year in which they are received. Gifts in kind are estimated at fair market value.

Donated services

The Organization's activities include time donated by a substantial number of volunteers. Since no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements.

Capital assets

Capital assets are recorded at cost. Cost is defined as laid-down cost or receipted donation value plus the costs of restoration. Amortization is recorded on a straight-line basis as follows:

Museum building, net of grants	50 years
Parking lot	6% per annum
Equipment and furniture	10% per annum
Automotive equipment	20% per annum
Computer equipment, net of grants	20% per annum

The collection is not amortized.

The collection consists of aircraft, parts and display assets and the museum building. Equity in the collection consists of these assets recorded at cost or donated value, less any corresponding long-term debt.

Based on the most recent appraisal done in fiscal 2001, the fair market value of the Collection is approximately \$14,240,000.

Inventory

Inventory is valued at the lower of cost (on the first-in, first-out method) and net realizable value. Inventories recognized as expense during the year amounted to \$658,065 (\$582,169 in 2022).

2. Significant accounting policies *(Continued from previous page)*

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. Key components of the financial statements requiring management to make estimates include the realizable value of inventories, the useful lives of capital assets, accruals, and the fair value of certain financial instruments. Actual results could differ from these estimates.

Government assistance

Government assistance related to current expenses is recorded as a reduction of the related expenses.

3. Investments

Investments include funds pooled with Hamilton Community Foundation and are made in accordance with the Organization's investment policy as developed by the Board of Directors. The goal of the policy is to ensure that funds grow while earning returns consistent with prudent investments.

4. Grants

Museum building

In 1994, the Organization entered into a contract with the Regional Municipality of Hamilton-Wentworth under the Canada/Ontario Infrastructure Works Program to assist in financing the new museum. The cost of the project was funded as follows:

- \$4 million from the Government of Canada;*
- \$4 million from the Government of Ontario;*
- \$1 million from the Region of Hamilton-Wentworth; and*
- \$3 million provided by Canadian Warplane Heritage from insurance proceeds, fund raising and sale of hangars.*

The new museum was completed in the spring of 1996.

In 2017, the Organization entered into a contract with Canadian Heritage for \$45,660 to assist in financing building upgrades. The government grant is deducted from the related building upgrades with any amortization calculated on the net amount. The building upgrades net of the reduction for the government assistance is amortized at 2% using the straight-line basis.

Computer and equipment

In 2014, the Organization entered into a contract with the Ontario Trillium Foundation for \$114,300 to assist in financing of a new computer system, software, and Wi-Fi equipment. The government grant is deducted from the related computer equipment with any amortization calculated on the net amount. The computer equipment net of the reduction for the government assistance is amortized at 20% using the straight-line basis.

In 2023, the Organization entered into a contract with the Department of Canadian Heritage for \$548,048 to assist in financing of their new digital memory project. The government grant is deducted from the related project with any amortization calculated on the net amount. Amortization has not been taken as the assets have not been put into use by the Organization.

Equipment and furniture

In 2018, the Organization entered into a contract with the Minister of Canadian Heritage for \$47,654 to assist in financing of a new artifact storage and preservation upgrade. The government grant is deducted from the related shelving unit with any amortization calculated on the net amount. The shelving net of the reduction for the government assistance is amortized at 10% using the straight-line basis.

5. Bank indebtedness

The Organization holds a credit facility with the bank with a maximum loan limit of \$500,000 (\$500,000 in 2022), bearing interest at prime rate plus 1.00% (1.00% in 2022), payable on demand, and is collateralized by a general security agreement and a general assignment of book debts. The unused portion of this credit facility at year-end was \$500,000 (\$500,000 in 2022).

6. Bank loan

The bank loan accumulates interest monthly in arrears at a rate of prime plus 1.50% (1.50% in 2022) and is due on demand. The loan is amortized over 120 months. The loan is collateralized by a general security agreement and a general assignment of book debts. The Organization is making principal repayments of \$2,995 (\$2,995 in 2022) on a monthly basis.

7. Insurance

The Organization carries ordinary comprehensive liability insurance; however, it does not carry full insurance on its aircraft.

8. Commitments

The Organization has a commitment for the property it leases Building 130, Unit 3, at Brantford Municipal Airport, Ontario to January 31, 2024. In addition to the rental costs, the Organization is also liable for common area costs.

The minimum lease commitment over the next year are as follows:

2024	31,421
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9. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Currency risk

The Organization holds a US bank account and thus is exposed to foreign exchange fluctuations. The Organization does not use derivative instruments to reduce its exposure to currency risk.

Interest rate risk

Interest rate risk is the risk to the Organization's earnings that arises from fluctuations in interest rates, and the degree of volatility of these rates. The Organization does not use derivative instruments to reduce its exposure to interest rate risk.

Liquidity risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows generated from operations to meet its requirements. As at September 30, 2023, the most significant financial liabilities are accounts payable and accrued liabilities, and bank loan.

Canadian Warplane Heritage Notes to the Financial Statements

For the year ended September 30, 2023

10. Canada Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS")

In March 2020, the Government of Canada announced the introduction of Canada Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS") to support the employers that are hardest hit by the pandemic and protect the jobs Canadians depend on. The CEWS and CERS programs were then discontinued in October 2021 with a replacement program labeled as the Tourism and Hospitality Recovery Program ("THRP") where it would provide wage and rent subsidies to businesses and organizations in the tourism and hospitality sector.

The CEWS covers an employee's wages (to a maximum) for employers of all sizes and across all sectors who have suffered a certain percentage drop in gross revenues (minimum percentage decrease required varies from month-to-month). The Organization determined that it would be eligible for the CEWS amount and has applied for such assistance from the Government of Canada. The Organization earned \$nil in assistance related to THRP (\$260,121 in CEWS 2022) and \$nil (\$nil in 2022) that was receivable at year end. CEWS earned is netted against salaries and benefits on the Statement of operating revenues and expenses.

The CERS covers part of a qualifying renters' and property owners' commercial rent or property expense if they have seen a drop in revenue for eligible periods. The Organization determined that it would be eligible for the CERS amount and has applied for such assistance from the Government of Canada. The Organization earned \$nil (\$23,839 in 2022) in assistance related to CERS during the year. CERS earned is netted against aircraft maintenance on the statement of operating revenues and expenses.

11. Comparative figures

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