

Canadian Warplane Heritage
Financial Statements
For the year ended September 30, 2024

Canadian Warplane Heritage Contents

For the year ended September 30, 2024

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Independent Auditor's Report

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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, 2024, 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, 2024, 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 11, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

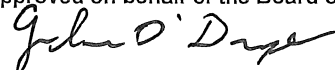
Canadian Warplane Heritage

Balance Sheet

As at September 30, 2024

	2024	2023
Assets		
Current		
Cash	323,826	126,189
Accounts receivable	17,263	40,792
Inventory	165,991	173,063
Prepaid expenses	19,741	34,200
Government remittances receivable	24,740	54,605
Short-term investments	2,309,778	2,356,659
	2,861,339	2,785,508
Long-term		
Endowment fund	203,753	203,753
Investments (Note 3)	43,923	42,802
	247,676	246,555
Capital assets		
Museum building (Note 4)	12,440,164	12,305,286
Parking lot	184,239	184,239
Collection	7,654,492	7,639,384
Land	664,584	664,584
Equipment and furniture, net of grants (Note 4)	600,031	990,492
Computer and equipment, net of grants (Note 4)	1,456,642	1,154,112
Grants (Note 4)	(9,010,190)	(9,010,190)
	13,989,962	13,927,907
Accumulated amortization	(2,278,649)	(2,968,035)
	11,711,313	10,959,872
	14,820,328	13,991,935
Liabilities		
Current		
Bank loan (Note 6)	89,846	125,785
Accounts payable and accrued liabilities	1,120,978	1,147,530
	1,210,824	1,273,315
Endowment fund	203,753	203,753
	1,414,577	1,477,068
Commitments (Note 8)		
Net assets		
Operating	1,446,762	1,308,440
Investment in capital assets	11,711,313	10,959,872
Restricted endowment	247,676	246,555
	13,405,751	12,514,867
	14,820,328	13,991,935

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, 2024

	2024	2023
Revenue		
Fundraising and special events	531,260	380,125
Food, beverage and catering	696,995	608,219
Volunteer donations	559,984	433,903
Retail	1,009,789	778,453
Flights	1,188,215	1,137,920
Admissions	738,981	582,570
Education	294,824	240,391
Memberships	314,637	318,594
Donations	2,985,747	2,941,194
Flying activities and support clubs	39,615	18,400
Government grants	15,000	25,100
Other	154,353	225,049
Facility, plane rental and events	151,788	274,215
	8,681,188	7,964,133
Expenses		
Salaries and benefits	2,272,785	2,097,126
Volunteer expenses	495,770	384,392
Aircraft maintenance	1,100,444	904,882
Administrative	707,428	424,170
Retail	594,482	476,152
Food, beverage and catering	443,754	464,991
Fuel and oil	393,757	332,979
Utilities	151,603	132,484
Insurance	102,624	72,099
Building maintenance	1,248,071	230,721
Fundraising and special events	46,347	102,863
Marketing	197,750	176,327
Membership	36,282	25,639
Legal and audit fees	30,000	30,000
Curatorial	15,608	15,618
Interest	11,691	13,545
Education	23,774	37,108
Facility, rental & events	122,148	35,403
	7,994,318	5,956,499
Excess of revenues over expenses before other expenses	686,870	2,007,634
Other income (expense)		
Unrealized gain on investments	262,841	78,129
Amortization	(58,827)	(128,263)
	204,014	(50,134)
Net excess of revenues over expenses	890,884	1,957,500

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, 2024

	<i>Operating</i>	<i>Invested in capital assets</i>	<i>Restricted endowment</i>	<i>2024</i>	<i>2023</i>
Net assets, beginning of year	1,308,440	10,959,872	246,555	12,514,867	10,557,367
Net excess of revenue over expenses	889,763	-	1,121	890,884	1,957,500
Amortization	58,827	(58,827)	-	-	-
Purchase of capital assets	(810,268)	810,268	-	-	-
Net assets, end of year	1,446,762	11,711,313	247,676	13,405,751	12,514,867

The accompanying notes are an integral part of these financial statements

Canadian Warplane Heritage

Statement of Cash Flows

For the year ended September 30, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating activities		
Net excess of revenue over expenses	890,884	1,957,500
Amortization	58,827	128,263
Unrealized gain on investments	(262,841)	(78,129)
	686,870	2,007,634
Changes in working capital accounts		
Accounts receivable	23,529	45,089
Inventory	7,072	7,332
Prepaid expenses	14,459	(2,195)
Accounts payable and accrued liabilities	(26,552)	(506,525)
Government remittances	29,865	(8,666)
	735,243	1,542,669
Investing activities		
Purchases of capital assets	(810,268)	(1,230,972)
Purchases of investments	(2,256,848)	(1,105,245)
Proceeds on sale of investments	2,565,449	739,000
	(501,667)	(1,597,217)
Financing activities		
Repayments on bank loan	(35,939)	(35,939)
Net change in cash	197,637	(90,487)
Cash, beginning of the year	126,189	216,676
Cash, end of the year	323,826	126,189

The accompanying notes are an integral part of these financial statements

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 of retail and food and beverage and catering operations recognized as expense during the year amounted to \$892,321 (\$658,065 in 2023).

Canadian Warplane Heritage Notes to the Financial Statements

For the year ended September 30, 2024

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.

In 2024, the Organization entered into a contract with the Ontario Trillium Foundation for \$94,500 to assist in financing building upgrades towards their hangar dome area. 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. Amortization has not been taken as the building upgrades were not finalized in 2024.

Computer and equipment

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.

4. Grants (continued from previous page)

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 2023), bearing interest at prime rate plus 1.00% (1.00% in 2023), 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 2023).

6. Bank loan

The bank loan accumulates interest monthly in arrears at a rate of prime plus 1.50% (1.50% in 2023) 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 2023) on a monthly basis.

7. Insurance

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

8. Commitments

The Organization has a commitment for the property it leases Building 130, Unit 3, at Brantford Municipal Airport, Ontario to January 31, 2025. 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:

2025	34,928
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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, 2024, the most significant financial liabilities are accounts payable and accrued liabilities, and bank loan.