

**FINANCIAL STATEMENTS**

**NIKKEI NATIONAL MUSEUM AND  
CULTURAL CENTRE**

**December 31, 2013**

***WM* TOMPKINS, WOZNY, MILLER & Co.**  
Chartered Accountants

A partnership of incorporated professionals.

---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of  
Nikkei National Museum and Cultural Centre

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Nikkei National Museum and Cultural Centre (the "Society"), which comprise the statement of financial position as at December 31, 2013 and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements 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 Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Society derives revenue from donations, fundraising and special events, 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising and special events revenue, revenue under expenses, current assets and fund balances.

### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2013, 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.

### *Other Matter*

As described in Note 12, Going Concern, the Society Fund a working capital deficiency of \$(270,188).

### *Report on Other Legal and Regulatory Requirements*

As required by the British Columbia Society Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

*Tompkins Wozny, Miller & Co.*

Vancouver, Canada  
April 16, 2014

Chartered Accountants

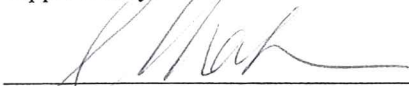
## STATEMENT OF FINANCIAL POSITION

As at December 31

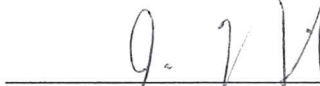
	2013			2012	
	Restricted Funds				
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current</b>					
Cash	—	37,723	—	37,723	105,246
Accounts receivable [note 3]	17,329	—	—	17,329	16,070
Inventory	24,263	—	—	24,263	15,496
Prepaid expenses	16,530	—	—	16,530	5,808
Due from Nikkei Place Foundation [note 4]	50,533	—	—	50,533	21,127
<b>Total current assets</b>	<b>108,655</b>	<b>37,723</b>	<b>—</b>	<b>146,378</b>	<b>163,747</b>
Property and equipment [note 5]	—	—	3,395,435	3,395,435	3,509,380
	<b>108,655</b>	<b>37,723</b>	<b>3,395,435</b>	<b>3,541,813</b>	<b>3,673,127</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current liabilities</b>					
Cheques issued in excess of funds on deposit	7,449	—	—	7,449	—
Demand bank loan [note 6]	220,000	—	—	220,000	200,000
Accounts payable and accruals [note 7]	61,700	—	—	61,700	54,748
Unearned revenue and deposits	28,267	—	—	28,267	18,191
Deferred grants	31,500	—	—	31,500	22,620
Deferred contributions [note 11]	25,275	—	—	25,275	—
Due to Nikkei Senior's Health Care and Housing Society [note 4]	217	—	—	217	152
Interfund payable (receivable)	4,435	(2,382)	(2,053)	—	—
<b>Total liabilities</b>	<b>378,843</b>	<b>(2,382)</b>	<b>(2,053)</b>	<b>374,408</b>	<b>295,711</b>
<b>Fund balances (deficiency)</b>					
Externally restricted	—	40,105	—	40,105	44,026
Invested in capital assets	—	—	3,397,488	3,397,488	3,509,380
Deficiency	(270,188)	—	—	(270,188)	(175,990)
<b>Total fund balances (deficiency)</b>	<b>(270,188)</b>	<b>40,105</b>	<b>3,397,488</b>	<b>3,167,405</b>	<b>3,377,416</b>
	<b>108,655</b>	<b>37,723</b>	<b>3,395,435</b>	<b>3,541,813</b>	<b>3,673,127</b>

See accompanying notes to the financial statements

Approved by:



Director



Director

# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	2013			2012	
	Restricted Funds				
	Fisherman's				
	Society Fund	Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
<b>REVENUE</b>	<i>[note 8]</i>				
Rental <i>[note 4]</i>	286,117	—	—	286,117	286,449
Donations - cash	233,284	—	5,000	238,284	262,364
- in-kind	25,893	—	—	25,893	75,520
Grants <i>[note 10]</i>	147,918	457	—	148,375	186,462
Fundraising	62,405	—	—	62,405	74,895
Memberships and other	48,650	—	—	48,650	29,821
Nikkei Place Foundation contribution <i>[note 4]</i>	46,802	—	—	46,802	28,000
School and programs	44,747	—	—	44,747	39,374
Sales	38,297	—	—	38,297	28,693
Museum	31,692	—	—	31,692	45,093
Special events	29,929	—	—	29,929	23,301
	995,734	457	5,000	1,001,191	1,079,972
<b>EXPENSES</b>					
Salaries and benefits	513,877	—	—	513,877	444,305
Amortization	—	—	121,270	121,270	128,247
Museum	117,939	—	—	117,939	138,085
Repairs and maintenance	79,491	—	—	79,491	63,736
Fundraising - expenditures <i>[note 4]</i>	74,956	—	—	74,956	81,438
- in-kind	25,893	—	—	25,893	59,220
Utilities	74,023	—	—	74,023	62,774
Office and other	41,176	—	—	41,176	31,010
Property taxes	40,418	—	—	40,418	40,588
Special events and programs	22,901	—	—	22,901	25,516
Consulting	22,277	—	—	22,277	1,957
Insurance	21,943	—	—	21,943	21,125
Rental	17,714	—	—	17,714	28,472
Bank charges, interest, and credit card	17,426	—	—	17,426	15,659
Professional	13,380	—	—	13,380	11,768
Shop purchases	6,518	—	—	6,518	10,350
Advertising and promotion	—	—	—	—	1,456
	1,089,932	—	121,270	1,211,202	1,165,706
<b>Revenue over (under) expenses</b>	(94,198)	457	(116,270)	(210,011)	(85,734)
<b>Fund balances (deficiency), beginning of year</b>	(175,990)	39,648	3,513,758	3,377,416	3,463,150
<b>Fund balances (deficiency), end of year</b>	(270,188)	40,105	3,397,488	3,167,405	3,377,416

See accompanying notes to the financial statements

# STATEMENT OF CASH FLOWS

Year ended December 31

	2013			2012	
	Restricted Funds				
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Revenue over (under) expenses for the year	(94,198)	457	(116,270)	(210,011)	(85,734)
Items not affecting cash					
Amortization of capital assets	—	—	121,270	121,270	128,247
Changes in other non-cash working capital items					
Accounts receivable	(1,259)	—	—	(1,259)	(7,913)
Inventory	(8,767)	—	—	(8,767)	(3,516)
Prepaid expenses	(10,722)	—	—	(10,722)	3,016
Accounts payable and accruals	6,952	—	—	6,952	(31,376)
Unearned revenue and deposits	10,076	—	—	10,076	(2,896)
Deferred grants	8,880	—	—	8,880	14,620
Deferred contributions	25,275	—	—	25,275	—
<b>Cash provided by (used in) operating activities</b>	<b>(63,763)</b>	<b>457</b>	<b>5,000</b>	<b>(58,306)</b>	<b>14,448</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of capital assets	—	—	(7,325)	(7,325)	(27,377)
Advance (to) from Nikkei Place Foundation (net)	(29,406)	—	—	(29,406)	37,829
Advance from Nikkei Senior's Health Care and Housing Society (net)	65	—	—	65	123
<b>Cash provided by (used in) investing activities</b>	<b>(29,341)</b>	<b>—</b>	<b>(7,325)</b>	<b>(36,666)</b>	<b>10,575</b>
<b>FINANCING ACTIVITIES</b>					
Increase (decrease) in demand bank loan	20,000	—	—	20,000	(10,000)
Change in interfund balances	729	(3,054)	2,325	—	—
<b>Cash provided by (used in) investing activities</b>	<b>20,729</b>	<b>(3,054)</b>	<b>2,325</b>	<b>20,000</b>	<b>(10,000)</b>
<b>Increase (decrease) in cash for the year</b>	<b>(72,375)</b>	<b>(2,597)</b>	<b>—</b>	<b>(74,972)</b>	<b>15,023</b>
Cash, beginning of year	64,926	40,320	—	105,246	90,223
<b>Cash (cheques issued in excess of funds on deposit), end of year</b>	<b>(7,449)</b>	<b>37,723</b>	<b>—</b>	<b>30,274</b>	<b>105,246</b>

See accompanying notes to the financial statements

## NOTES TO FINANCIAL STATEMENTS

---

December 31, 2013

### 1. NATURE OF OPERATIONS

The Society was incorporated pursuant to the Society Act of British Columbia on September 16, 1975. On April 19, 1995, the Japanese Canadian Cultural Society changed its name to the National Nikkei Heritage Centre Society. The Society constructed the cultural and community centre portion of Nikkei Place. On December 4, 2002, the National Nikkei Heritage Centre Society changed its name to the National Nikkei Museum and Heritage Centre, and on May 31, 2003 the Society merged with the Japanese Canadian National Museum ("JCNM"). Pursuant to the agreement, the members of the JCNM became members of the Society and the Constitution of the Society was amended to incorporate the purposes of the JCNM. On July 12, 2012, the Society changed its name to the Nikkei National Museum and Cultural Centre. The Society's Constitution currently includes as its mandate to promote and work with other organizations for:

- (i) a better understanding and appreciation of Japanese Canadian culture;
- (ii) an awareness of the contribution of Japanese Canadians to Canadian society; and
- (iii) closer relations between Canada and Japan.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### 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 disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the year. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, in particular as it relates to useful lives of capital assets and the determination of the deferred portion of grants received. Actual results could differ from these estimates.

#### Fund Accounting

The Society Fund accounts for current operations and programs as well as the Society's general operations. Unrestricted contributions (donations and grants) and restricted contributions to be used for operations are reported in this fund.

The Fisherman's Reunion Fund accounts for the Society's activities relating to the Fisherman's Reunion Project. Restricted contributions for this purpose are reported in this fund.

## NOTES TO FINANCIAL STATEMENTS

---

December 31, 2013

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Capital Asset Fund accounts for the unamortized cost of capital assets and any inter fund debt. Restricted contributions received for capital assets are reported in this fund.

#### Revenue Recognition

The Society follows the restricted fund method for the Fisherman's Reunion Fund and Capital Asset Fund whereby externally restricted contributions (grants and donations) are recognized in the respective fund corresponding to the purpose which they were contributed.

Unrestricted contributions are recognized as revenue in the Society Fund, which follows the deferral method.

Restricted contributions related to the Society Fund are recorded as revenue of the fund in the year the related expenses are incurred.

Unrestricted donations are recorded as revenue at the time the donations are received. Restricted donations received by the Society Fund are deferred and recognized as revenue when the related expense is incurred.

Donations in kind are recorded as revenue at the time the donations are received and are recorded at fair value, if independent evidence is available to support the fair value.

Revenue from sales is recognized when the title to the goods is transferred to the customer. Revenue from rentals is recognized over the applicable rental period and other revenue is recognized when the related service is performed.

#### Contributed Services

Volunteers contribute their time to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

#### Measurement of Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value except for certain non-arm's length transactions.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and due from Nikkei Place Foundation.

## NOTES TO FINANCIAL STATEMENTS

---

December 31, 2013

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities measured at amortized cost includes demand bank loan, accounts payable, and due to Nikkei Senior's Health Care and Housing Society.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

#### **Cash**

Cash is defined as cash on hand, cash on deposit, and net of cheques issued and outstanding at the year-end.

The Society's statement of cash flows is prepared on a net cash basis and cash flows from operating activities are reported using the indirect method.

#### **Inventory**

Inventory is valued at the lower of cost and net realized value as determined by management. Cost includes direct purchase price and is determined on a first-in-first-out basis.

#### **Property and Equipment**

Property and equipment is recorded at cost.

Contributed property and equipment is recorded at fair value, if independent evidence is available to support the fair value.

Amortization of the Society's property and equipment is provided on the declining-balance basis. The rate is 4% for the cultural community centre and parking garage and 20% for equipment and furniture. The artwork and paintings are not amortized. The value of the artwork and paintings is assessed on an annual basis to determine if any write-down is required. Amortization expense is reported in the Capital Asset Fund.

No amortization is recorded on property and equipment until the year the asset is available for use.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 3. ACCOUNTS RECEIVABLE

	2013 \$	2012 \$
Operating	17,329	16,070
Allowance for doubtful accounts	—	—
	17,329	16,070

### 4. RELATED PARTY TRANSACTIONS

#### a) Nikkei Place Foundation

The Nikkei Place Foundation (the “Foundation”) was incorporated in 2002 pursuant to the Society Act of British Columbia and provides fundraising for the Society.

As at December 31, 2013, the Society has a receivable from the Foundation in the amount of \$50,533 [2012 - \$21,127]. The receivable is non-interest bearing and is unsecured.

Rental revenue includes \$17,496 [2012 - \$9,996] charged to the Foundation.

In addition, the following related party transactions also occurred during the year:

	2013 \$	2012 \$
Disbursements received from the Foundation	46,802	28,000
Expenses paid to the Foundation		
Fundraising expenses	60,000	60,000

#### b) Nikkei Seniors Health Care and Housing Society

As at December 31, 2013, the Society has a payable to the Nikkei Seniors Health Care and Housing Society in the amount of \$217 [2012 - \$152].

Rental revenue includes \$11,556 [2012 - \$10,906] charged to the Nikkei Seniors Health Care and Housing Society.

The above amounts were incurred in the normal course of business and are measured at the exchange amount, which is the amount agreed upon by the parties on terms and conditions similar to non-related parties.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 5. PROPERTY AND EQUIPMENT

	2013		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land (a)	740,000	—	740,000
Cultural Community Centre	4,051,990	1,644,127	2,407,863
Parking garage	220,000	76,661	143,339
Equipment and furniture	463,817	401,759	62,058
Artwork and paintings	42,175	—	42,175
	5,517,982	2,122,547	3,395,435

	2012		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land (a)	740,000	—	740,000
Cultural Community Centre	4,048,423	1,543,874	2,504,549
Parking garage	220,000	70,689	149,311
Equipment and furniture	460,059	386,714	73,345
Artwork and paintings	42,175	—	42,175
	5,510,657	2,001,277	3,509,380

In the year, the Society received a donation in kind of paintings and artwork with a fair value of \$Nil [2012 - \$16,300].

(a) The Nikkei Seniors Health Care and Housing Society, formerly the Japanese Canadian Society of Greater Vancouver for Senior Citizens Housing, has transferred in past years, for legal purposes, its allocated property to the Society and is currently leasing the property for 60 years for \$10. At the end of the lease, the lessee has the option to purchase the land for \$10. This property has not been recorded in these financial statements as the benefit and use of property remain with the transferor.

### 6. DEMAND BANK LOAN

The Society has arranged a revolving demand credit facility with the Toronto Dominion Bank to a maximum of \$300,000 for the purpose of funding working capital. The established interest rate is prime plus 1.75% and the facility is subject to an arrangement fee of \$2,000, plus a monthly administration fee of \$100. As at December 31, 2013, the balance was \$220,000 [2012 - \$200,000].

The credit facility is secured by an assignment of all-risk, fire and liability insurance and an environmental indemnity agreement.

## NOTES TO FINANCIAL STATEMENTS

---

December 31, 2013

### 7. ACCOUNTS PAYABLE AND ACCRUALS

	2013	2012
	\$	\$
Operating	50,370	47,007
Vacation payable	6,098	6,935
Government remittances		
- GST/PST	2,777	204
- Payroll	1,797	—
- WorkSafe BC	658	602
	61,700	54,748

### 8. RESTRICTED FISHERMEN'S REUNION FUND

The Fishermen's Reunion Fund is externally restricted and can only be spent on expenses related to the Fishermen's Reunion Project (the "Project"). The Project was launched at the Reunion Dinner in November 2001, which was the first phase of the project. The second phase entailed the construction of a statue to honour the contribution of Japanese Fishermen to the British Columbia Fishing Industry. The third phase was the publication of two books depicting the life of Japanese fishermen. The fourth phase involves the creation of a Nikkei Fishing exhibit.

In 2012, \$30,000 was internally transferred from the Fisherman's Reunion Fund to the Society Fund to implement the fourth phase of the project, creating a Nikkei Fishing exhibit.

### 9. NIKKEI PLACE ENDOWMENT FUND

The Nikkei Place Endowment Fund was established for the purpose of supporting the development of programs and for support of the operating costs of the Society. The Society has set up the Endowment Fund with the Vancouver Foundation in the amount of \$17,166 (market value \$16,249). There were no contributions during the current year or prior year. The contributions to the Vancouver Foundation will not be returned to the Society. The Society is entitled to the interest earned which is paid annually to the Society.

### 10. PROVINCE OF B.C. GAMING GRANT

Cash includes \$14 [2012 - \$3,371] of gaming funds received from the Province of B.C. The balance is held in a separate bank account.

Grant revenue includes \$33,363 [2012 - \$44,130] of gaming revenue.

## NOTES TO FINANCIAL STATEMENTS

---

December 31, 2013

### 11. DEFERRED CONTRIBUTIONS

As at December 31, 2013, the Society had received donations of \$25,275 [2012 - \$Nil] designated for the "They Went to War" Campaign which will help preserve the Japanese Canadian War Memorial cenotaph at Stanley Park.

### 12. GOING CONCERN

As at December 31, 2013, the Society has a working capital deficiency of \$270,188 [2012 - \$175,990] in the Society Fund. The Society's ability to continue as a going concern is dependent upon the generation of future revenue over expenses, the continued support of its members and funders and the support of the Nikkei Place Foundation.

### 13. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis presents the Society's exposures to significant risk as at December 31, 2013.

#### Credit Risk

The Society is exposed to credit risk with respect to its cash and accounts receivable and minor risk on the amount due from Nikkei Place Foundation. The Society assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive based on their net realizable value. Cash is held by a Canadian chartered bank.

#### Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Society manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

The Society is exposed to additional liquidity risk due to its working capital deficiency in the Society Fund.

#### Interest Rate Risk

The Society has minor interest rate risk on its cash. Changes in the bank's prime lending rate or other rates can cause fluctuations in interest payments and cash flows.

## NOTES TO FINANCIAL STATEMENTS

---

December 31, 2013

### 13. FINANCIAL INSTRUMENTS (CONT'D)

It is management's opinion that the Society is not exposed to other significant risk on its financial instruments.

### 14. COMPARATIVE FIGURES

Certain of the 2012 comparative figures have been reclassified to conform with the current year's financial statement presentation.