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**FINANCIAL STATEMENTS**

**NIKKEI NATIONAL MUSEUM AND  
CULTURAL CENTRE**

**December 31, 2016**

 **TOMPKINS, WOZNY, MILLER & Co.**  
Chartered Professional 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, 2016 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 not-for-profit organizations, the Society derives revenue from donations, fundraising and special events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit 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, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015, and net assets as at January 1 and December 31 for both 2016 and 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

### *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, 2016, 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.

### *Emphasis of Matter*

As described in Note 12, Going Concern, the Society Fund a working capital deficiency of \$647,884.

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

As required by the British Columbia Societies 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.

Vancouver, Canada  
March 29, 2017

*Tompkins, Wozny, Miller & Co.*

Chartered Professional Accountants

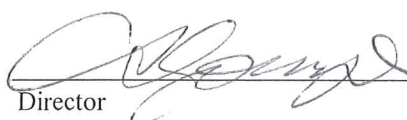
## STATEMENT OF FINANCIAL POSITION

Year ended December 31

	2016				2015
	Restricted Funds				
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
ASSETS					
Current					
Cash	284,351	33,248	—	317,599	63,472
Accounts receivable [note 3]	14,061	—	—	14,061	14,798
Inventory	29,293	—	—	29,293	24,088
Prepaid expenses	13,620	—	—	13,620	6,822
Due from Nikkei Place Foundation [note 4a]	5,511	—	—	5,511	26,246
Due from Nikkei Senior's Health Care and Housing Society [note 4b]	2,906	—	—	2,906	3,324
Total current assets	349,742	33,248	—	382,990	138,750
Property and equipment [note 5]	—	—	3,355,922	3,355,922	3,346,937
	349,742	33,248	3,355,922	3,738,912	3,485,687
LIABILITIES AND FUND BALANCES (DEFICIENCY)					
Current liabilities					
Demand bank loans	—	—	—	—	485,000
Bank loan [note 6]	780,000	—	—	780,000	—
Accounts payable and accruals [note 7]	84,856	—	—	84,856	112,496
Deferred revenue - grants	64,226	—	—	64,226	59,172
- donations [note 10]	35,192	—	—	35,192	25,192
- other	55,249	—	—	55,249	50,909
Due to Nikkei Place Foundation [note 4a]	12,527	—	—	12,527	6,500
Due to Nikkei Senior's Health Care and Housing Society [note 4b]	229	—	—	229	686
Interfund payable (receivable)	(34,653)	(7,984)	42,637	—	—
Total current liabilities	997,626	(7,984)	42,637	1,032,279	739,955
Fund balances (deficiency)					
Externally restricted	—	41,232	—	41,232	40,963
Invested in capital assets	—	—	3,313,285	3,313,285	3,297,886
Deficiency	(647,884)	—	—	(647,884)	(593,117)
Total fund balances (deficiency)	(647,884)	41,232	3,313,285	2,706,633	2,745,732
	349,742	33,248	3,355,922	3,738,912	3,485,687

See accompanying notes to the financial statements

Approved by:


  
Director


  
Director



# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	2016			2015	
	Restricted Funds				
	Fisherman's				
	Society Fund	Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
<b>REVENUE</b>		<i>[note 8]</i>	<i>[note 14]</i>		
Rental <i>[note 4]</i>	347,131	—	—	347,131	302,981
Grants <i>[note 11]</i>	300,827	—	22,571	323,398	285,806
Donations - cash <i>[note 4c]</i>	195,286	—	106,632	301,918	233,960
- in-kind <i>[note 4c]</i>	70,599	—	3,600	74,199	53,697
Fundraising	133,559	—	—	133,559	81,864
School and Centre programs	66,376	—	—	66,376	69,525
Museum sales	64,515	—	—	64,515	53,417
Special events	58,407	—	—	58,407	43,531
Memberships and other	39,783	269	—	40,052	31,190
Nikkei Place Foundation contribution <i>[note 4a]</i>	20,000	—	—	20,000	50,000
Museum exhibits	15,467	—	—	15,467	44,979
	1,311,950	269	132,803	1,445,022	1,250,950
<b>EXPENSES</b>					
Salaries and benefits <i>[note 13]</i>	662,882	—	—	662,882	636,541
Amortization	—	—	117,404	117,404	116,625
Fundraising - expenditures <i>[note 4]</i>	123,145	—	—	123,145	70,742
- in-kind	70,599	—	—	70,599	53,697
Museum	93,288	—	—	93,288	101,069
Utilities	82,730	—	—	82,730	73,144
Repairs and maintenance	57,179	—	—	57,179	53,792
Office and other	47,371	—	—	47,371	31,184
Shop purchases - museum	45,297	—	—	45,297	31,671
Special events and programs	40,368	—	—	40,368	47,288
Bank charges, interest, and credit card	39,906	—	—	39,906	31,893
Property taxes	38,998	—	—	38,998	39,325
Insurance	23,298	—	—	23,298	22,987
Professional	13,876	—	—	13,876	11,070
Japanese War Memorial	10,656	—	—	10,656	27,995
Rental	10,313	—	—	10,313	8,749
Advertising and promotion	6,811	—	—	6,811	5,901
Consulting	—	—	—	—	2,000
	1,366,717	—	117,404	1,484,121	1,365,673
Revenue over (under) expenses	(54,767)	269	15,399	(39,099)	(114,723)
Fund balances (deficiency), beginning of year	(593,117)	40,963	3,297,886	2,745,732	2,860,455
Fund balances (deficiency), end of year	(647,884)	41,232	3,313,285	2,706,633	2,745,732

See accompanying notes to the financial statements

## STATEMENT OF CASH FLOWS

Year ended December 31

	2016			2015	
	Society Fund \$	Restricted Funds		Total \$	Total \$
		Reunion Fund \$	Capital Asset Fund \$		
<b>OPERATING ACTIVITIES</b>					
Revenue over (under) expenses for the year	(54,767)	269	15,399	(39,099)	(114,723)
Items not affecting cash					
Amortization of capital assets	—	—	117,404	117,404	116,625
Loss from sale of capital assets	—	—	3,005	3,005	—
Changes in non-cash working capital items					
Accounts receivable	737	—	—	737	13,491
Inventory	(5,205)	—	—	(5,205)	1,811
Prepaid expenses	(6,798)	—	—	(6,798)	3,555
Accounts payable and accruals	(27,640)	—	—	(27,640)	(19,400)
Deferred revenue	19,394	—	—	19,394	18,840
<b>Cash provided by (used in) operating activities</b>	<b>(74,279)</b>	<b>269</b>	<b>135,808</b>	<b>61,798</b>	<b>20,199</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of capital assets	(6,586)	—	(125,208)	(131,794)	(117,266)
Proceeds from sale of capital assets	—	—	2,400	2,400	—
Advance (to) from Nikkei Place Foundation (net)	26,762	—	—	26,762	(22,206)
Advance (to) from Nikkei Senior's Health Care and Housing Society (net)	(39)	—	—	(39)	5,904
<b>Cash provided by (used in) investing activities</b>	<b>20,137</b>	<b>—</b>	<b>(122,808)</b>	<b>(102,671)</b>	<b>(133,568)</b>
<b>FINANCING ACTIVITIES</b>					
Increase in bank loans (net)	295,000	—	—	295,000	115,000
Change in interfund balances	14,364	(1,364)	(13,000)	—	—
<b>Cash provided by (used in) financing activities</b>	<b>309,364</b>	<b>(1,364)</b>	<b>(13,000)</b>	<b>295,000</b>	<b>115,000</b>
<b>Increase (decrease) in cash for the year</b>	<b>255,222</b>	<b>(1,095)</b>	<b>—</b>	<b>254,127</b>	<b>1,631</b>
Cash, beginning of year	29,129	34,343	—	63,472	61,841
<b>Cash, end of year</b>	<b>284,351</b>	<b>33,248</b>	<b>—</b>	<b>317,599</b>	<b>63,472</b>

See accompanying notes to the financial statements

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2016

### 1. NATURE OF OPERATIONS

The Society was incorporated pursuant to the British Columbia Societies Act 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

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December 31, 2016

### 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 and received.

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.

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2016

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

Financial assets measured at amortized cost include cash, accounts receivable and due from Nikkei Senior's Health Care and Housing Society and Nikkei Place Foundation.

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

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, 2016

### 3. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Operating	14,061	14,660
Government remittances - GST	—	138
Allowance for doubtful accounts	—	—
	14,061	14,798

### 4. RELATED PARTY TRANSACTIONS

The Society, the Nikkei Place Foundation ("Foundation") and the Nikkei Seniors Health Care and Housing Society have certain directors in common.

#### 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, 2016, the Society has a receivable from the Foundation in the amount of \$5,511 [2015 - \$26,246]. The receivable is non-interest bearing and is unsecured.

As at December 31, 2016, the Society has a payable to the Foundation in the amount of \$12,527 [2015 - \$6,500]. The payable is non-interest bearing and is unsecured.

Rental revenue includes \$6,000 [2015 - \$18,396] charged to the Foundation.

The Foundation had guaranteed the Society's demand bank loans which were repaid during the year.

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

	2016	2015
	\$	\$
Disbursements received from the Foundation	20,000	50,000
Fundraising received from the Foundation	—	22,250
Expenses paid to the Foundation		
Fundraising expenses	6,113	21,750
Salaries expenses	8,074	—

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

As at December 31, 2016, the Society has a receivable from the Nikkei Seniors Health Care and Housing Society in the amount of \$2,906 [2015 - \$3,324]. The receivable is non-interest bearing and unsecured.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### 4. RELATED PARTY TRANSACTIONS (CONT'D)

As at December 31, 2016, the Society has a payable to the Nikkei Seniors Health Care and Housing Society in the amount of \$229 [2015 - \$686]. The payable is non-interest bearing and unsecured.

Rental revenue includes \$11,906 [2015 - \$11,906] charged to the Nikkei Seniors Health Care and Housing Society.

Office supplies and wages recovery of \$13,048 [2015 - \$Nil] was received from the Nikkei Seniors Health Care and Housing Society.

#### c) Donation Revenue

For the year ended December 31, 2016, the Society received donations from the board of directors in the amount of \$66,306 [2015 - \$81,685]. Of these donations, \$25,000 [2015 - \$75,000] were related to the Capital Asset Fund and \$1,000 [2015 - \$Nil] of in-kind donations were received.

The above amounts were incurred in the normal course of business and are measured at the exchange amount, which is the amount of the consideration established and agreed to by the parties.

### 5. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated amortization \$	Net \$
<b>2016</b>			
Land (a)	740,000	—	740,000
Cultural Community Centre	4,288,975	1,929,457	2,359,518
Parking garage	220,000	93,184	126,816
Equipment and furniture	526,737	451,324	75,413
Artwork and paintings	54,175	—	54,175
	<b>5,829,887</b>	<b>2,473,965</b>	<b>3,355,922</b>
<b>2015</b>			
Land (a)	740,000	—	740,000
Cultural Community Centre	4,190,078	1,833,205	2,356,873
Parking garage	220,000	87,900	132,100
Equipment and furniture	498,847	431,458	67,389
Artwork and paintings	50,575	—	50,575
	<b>5,699,500</b>	<b>2,352,563</b>	<b>3,346,937</b>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### 5. PROPERTY AND EQUIPMENT (CONT'D)

(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 OPERATING LOAN

The Society has a demand operating loan of \$800,000 at the Toronto Dominion Bank. As at December 31, 2016, the balance was \$780,000 [2015 - \$Nil].

The demand operating loan is supported by a security agreement covering a continuing collateral mortgage in the amount of \$1,000,000 representing a first charge on the Society's land and Cultural Community Centre (see note 5). A general assignment of rents and an assignment of fire insurance to the Toronto Dominion Bank as First Loss Payee is also pledged as collateral for the loan.

Monthly principal payments are \$3,333.33 plus interest at prime plus 1.75%.

### 7. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
	\$	\$
Operating	70,303	102,082
Vacation payable	12,519	9,615
Government remittances - GST	1,115	—
- WorkSafe BC	919	799
	84,856	112,496

### 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.



## NOTES TO FINANCIAL STATEMENTS

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December 31, 2016

### 8. RESTRICTED FISHERMEN'S REUNION FUND (CONT'D)

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 \$17,188 [2015 - \$17,180] and market value of \$18,568 [2015 - \$17,780]. 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. DEFERRED DONATIONS

Deferred donations consists of \$25,192 [2015 - \$25,192] designated for the "They Went to War" Campaign which will help preserve the Japanese Canadian War Memorial cenotaph at Stanley Park, and \$10,000 [2015 - \$Nil] designated for the 2017 Summer camp and video project.

	2016	2015
	\$	\$
Balance, beginning of year	25,192	36,066
Contributions in the year	10,000	1,126
Expenses in the year	—	(12,000)
<b>Balance, end of year</b>	<b>35,192</b>	<b>25,192</b>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### 11. GRANTS REVENUE

Grant revenue includes the following,

	2016	2015
	\$	\$
B.C. Arts Council	49,811	64,270
B.C. Community Gaming (a)	50,000	50,000
Burnaby Arts Council	500	500
Canada Federal Government	34,926	2,500
Canada Summer Job	9,223	10,898
Canadian Heritage - Museums Assistance Program	17,000	25,900
Charles Kadota Research Centre	5,000	13,000
Citizenship and Immigrations Canada	5,865	6,500
City of Burnaby	11,000	18,000
Department of Canadian Heritage-Hokori Warrior	20,800	—
Department of Canadian Heritage-Matsuri	23,600	—
Deux Mille Foundation	4,000	6,000
Heritage BC	—	10,000
Japan Foundation Toronto	—	1,200
Minister of Veteran Affairs	13,657	—
Municipal Metro Vancouver District	3,750	—
National Association of Japanese Canadians	2,000	2,563
Nikkei Seniors Health Care and Housing Society	—	2,000
Other (Hastings Park)	2,119	1,381
Social Sciences and Humanities Research Council	45,875	42,100
UBC - Irving Barber Foundation	7,532	7,791
VanCity Community Foundation	—	3,000
Vancouver Foundation	—	612
Village of New Denver	2,046	7,954
Young Canada Works	14,695	9,637
	323,399	285,806
Grants monies used for capital purchases	(22,572)	—
	300,827	285,806

(a) Cash includes \$28 [2015 - \$12] of gaming funds received from the Province of B.C. The balance is held in a separate bank account.

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2016

### 12. GOING CONCERN

As at December 31, 2016, the Society has a working capital deficiency of \$647,884 [2015 - \$593,117] 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 creditors, members and funders and the support of the Nikkei Place Foundation.

### 13. SALARIES AND BENEFITS

Salaries and benefits expense includes remuneration paid to an employee in the amount of \$95,125.

### 14. TRANSFORMATIONAL GIFT

On November 25, 2016, the Nikkei Place Foundation received a donation in the amount of \$500,000 for the redevelopment and expansion of the museum, ensuring that Japanese culture, history, arts and exhibits will continue to be promoted. This is part of a \$1,000,000 donation, with the remainder to be received by them in 2017. The donation will be recorded as revenue in the Society's Capital Asset Fund in the year received.

### 15. 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, 2016:

#### Credit Risk

The Society is exposed to credit risk with respect to its cash and accounts receivable. 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 (see note 12).



## NOTES TO FINANCIAL STATEMENTS

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December 31, 2016

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

#### Interest Rate Risk

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

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