

FINANCIAL STATEMENTS

**NIKKEI NATIONAL MUSEUM AND
CULTURAL CENTRE**

December 31, 2017



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, 2017 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, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 2017, 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 \$671,509.

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.

Tompkins Wozny LLP

Vancouver, Canada
March 21, 2018

Chartered Professional Accountants



Tompkins Wozny
Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

Year ended December 31

	2017			2016	
	Restricted Funds				
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
ASSETS					
Current					
Cash	227,291	2,372	—	229,663	317,599
Accounts receivable [note 3]	6,502	—	—	6,502	14,061
Inventory	30,553	—	—	30,553	29,293
Prepaid expenses	7,055	—	38,438	45,493	13,620
Due from Nikkei Place Foundation [note 4(a)]	12,304	—	323,125	335,429	5,511
Due from Nikkei Senior's Health Care and Housing Society [note 4(b)]	1,615	—	—	1,615	2,906
Total current assets	285,320	2,372	361,563	649,255	382,990
Property and equipment [note 5(i)]	—	—	3,459,743	3,459,743	3,355,922
Intangible asset [note 5(ii)]	—	—	30,750	30,750	—
	285,320	2,372	3,852,056	4,139,748	3,738,912
LIABILITIES AND FUND BALANCES (DEFICIENCY)					
Current liabilities					
Bank loan [note 6]	740,000	—	—	740,000	780,000
Accounts payable and accruals [note 7]	66,590	—	80,838	147,428	84,856
Deferred revenue - grants	46,860	—	15,540	62,400	64,226
- donations [note 10]	33,867	—	—	33,867	35,192
- other	60,744	—	—	60,744	55,249
Due to Nikkei Place Foundation [note 4(a)]	4,690	—	—	4,690	12,527
Due to Nikkei Senior's Health Care and Housing Society [note 4(b)]	—	—	—	—	229
Interfund payable (receivable)	4,078	—	(4,078)	—	—
Total current liabilities	956,829	—	92,300	1,049,129	1,032,279
Fund balances (deficiency)					
Externally restricted	—	2,372	323,125	325,497	41,232
Invested in capital assets	—	—	3,436,631	3,436,631	3,313,285
Deficiency	(671,509)	—	—	(671,509)	(647,884)
Total fund balances (deficiency)	(671,509)	2,372	3,759,756	3,090,619	2,706,633
	285,320	2,372	3,852,056	4,139,748	3,738,912

Endowment Funds [note 9]

Other information [note 15]

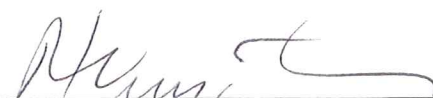
Commitments [note 17]

See accompanying notes to the financial statements

Approved by:



Director



Director


STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	2017			2016	
	Restricted Funds				
	Society	Fisherman's	Capital	Total	Total
	Fund	Reunion	Asset Fund		
	\$	\$	\$	\$	\$
REVENUE		<i>[note 8]</i>	<i>[note 14]</i>		
Rental <i>[note 4]</i>	353,703	—	—	353,703	347,131
Grants <i>[note 11]</i>	248,796	—	90,597	339,393	323,398
Donations - cash <i>[note 4(c)]</i>	226,830	—	500,000	726,830	301,918
- in-kind <i>[note 4(c)]</i>	72,025	—	10,000	82,025	74,199
Fundraising	145,593	—	—	145,593	133,559
Museum exhibits	100,179	—	—	100,179	15,467
Museum sales	77,633	—	—	77,633	64,515
School and Centre programs	75,447	—	—	75,447	66,376
Special events	50,860	—	—	50,860	58,407
Memberships and other	33,727	249	—	33,976	40,052
Nikkei Place Foundation contribution <i>[note 4(a)]</i>	20,000	—	—	20,000	20,000
	1,404,793	249	600,597	2,005,639	1,445,022
EXPENSES					
Salaries and benefits <i>[note 11 & 13]</i>	692,951	—	—	692,951	662,882
Museum	164,193	20,269	—	184,462	93,288
Amortization	—	—	115,689	115,689	117,404
Fundraising - expenditures <i>[note 4]</i>	114,933	—	38,437	153,370	123,145
- in-kind	72,025	—	—	72,025	70,599
Utilities	87,591	—	—	87,591	82,730
Repairs and maintenance	54,208	—	—	54,208	57,179
Shop purchases - museum	37,434	—	—	37,434	45,297
Property taxes	37,198	—	—	37,198	38,998
Special events and programs	36,957	—	—	36,957	40,368
Interest on bank loan	35,240	—	—	35,240	27,062
Office and other	34,911	—	—	34,911	47,371
Insurance	24,951	—	—	24,951	23,298
Bank charges, interest, and credit card	16,661	—	—	16,661	12,844
Professional	13,346	—	—	13,346	13,876
Rental	12,030	—	—	12,030	10,313
Advertising and promotion	7,615	—	—	7,615	6,811
Japanese War Memorial	5,014	—	—	5,014	10,656
	1,447,258	20,269	154,126	1,621,653	1,484,121
Revenue over (under) expenses	(42,465)	(20,020)	446,471	383,986	(39,099)
Fund balances (deficiency), beginning of year	(647,884)	41,232	3,313,285	2,706,633	2,745,732
Interfund transfers	18,840	(18,840)	—	—	—
Fund balances (deficiency), end of year	(671,509)	2,372	3,759,756	3,090,619	2,706,633

See accompanying notes to the financial statements



STATEMENT OF CASH FLOWS

Year ended December 31

	2017			2016	
	Restricted Funds				
	Society	Fisherman's	Capital	Total	Total
	Fund	Reunion	Asset Fund		
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Revenue over (under) expenses for the year	(42,465)	(20,020)	446,471	383,986	(39,099)
Items not affecting cash					
Amortization of capital assets	—	—	115,689	115,689	117,404
Loss from sale of capital assets	—	—	—	—	3,005
Donated assets	—	—	(10,000)	(10,000)	—
Changes in non-cash working capital items					
Accounts receivable	7,559	—	—	7,559	737
Inventory	(1,260)	—	—	(1,260)	(5,205)
Prepaid expenses	6,565	—	(38,438)	(31,873)	(6,798)
Accounts payable and accruals	(18,266)	—	—	(18,266)	(27,640)
Deferred revenue	(13,196)	—	15,540	2,344	19,394
Cash provided by (used in) operating activities	(61,063)	(20,020)	529,262	448,179	61,798
INVESTING ACTIVITIES					
Acquisition of capital assets (net of payables)	—	—	(159,422)	(159,422)	(131,794)
Proceeds from sale of capital assets	—	—	—	—	2,400
Advance (to) from Nikkei Place					
Foundation (net)	(14,630)	—	(323,125)	(337,755)	26,762
Advance (to) from Nikkei Senior's Health					
Care and Housing Society (net)	1,062	—	—	1,062	(39)
Cash provided by (used in) investing activities	(13,568)	—	(482,547)	(496,115)	(102,671)
FINANCING ACTIVITIES					
Proceeds from bank loan	—	—	—	—	800,000
Repayment of bank loan	(40,000)	—	—	(40,000)	(505,000)
Change in interfund balances	57,571	(10,856)	(46,715)	—	—
Cash provided by (used in) financing activities	17,571	(10,856)	(46,715)	(40,000)	295,000
Increase (decrease) in cash for the year	(57,060)	(30,876)	—	(87,936)	254,127
Cash, beginning of year	284,351	33,248	—	317,599	63,472
Cash, end of year	227,291	2,372	—	229,663	317,599

See accompanying notes to the financial statements



NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

December 31, 2017

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 as revenue 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 which generally coincides with the receipt of payment. 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 Senior's Health Care and Housing Society and Nikkei Place Foundation.



NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities measured at amortized cost includes bank loan, accounts payable, 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, 2017

3. ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
Operating	6,198	14,061
Government remittances - GST	304	—
Allowance for doubtful accounts	—	—
	6,502	14,061

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 Societies Act of British Columbia and provides fundraising for the Society.

As at December 31, 2017, the Society has a receivable from the Foundation in the amount of \$335,429 [2016 - \$5,511]. The receivable will earn interest on money market funds invested by the Foundation on behalf of the Society.

As at December 31, 2017, the Society has a payable to the Foundation in the amount of \$4,690 [2016 - \$12,527]. The payable is non-interest bearing and is unsecured.

Rental revenue includes \$6,000 [2016 - \$6,000] charged to the Foundation.

The Society reimbursed the Foundation \$76,875 [2016 - \$Nil] for a fundraising expense relating to the transformational gift [see note 14]. \$38,438 [2016 - \$Nil] is included in prepaid expenses and \$38,437 [2016 - \$Nil] is included as a fundraising expense in the capital fund.

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

	2017	2016
	\$	\$
Disbursements received from the Foundation	20,000	20,000
Expenses paid to the Foundation		
Fundraising expenses	28,711	6,113
Salaries expenses	18,974	8,074

b) Nikkei Seniors Health Care and Housing Society

As at December 31, 2017, the Society has a receivable from the Nikkei Seniors Health Care and Housing Society in the amount of \$1,615 [2016 - \$2,906]. The receivable is non-interest bearing and unsecured.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

4. RELATED PARTY TRANSACTIONS (CONT'D)

As at December 31, 2017, the Society has a payable to the Nikkei Seniors Health Care and Housing Society in the amount of \$Nil [2016 - \$229].

Rental revenue includes \$11,906 [2016 - \$11,906] charged to the Nikkei Seniors Health Care and Housing Society.

Office supplies and wages recovery of \$18,344 [2016 - \$13,048] was received from the Nikkei Seniors Health Care and Housing Society.

c) Donation Revenue

For the year ended December 31, 2017, the Society received donations from the board of directors in the amount of \$88,497 [2016 - \$66,306]. Of these donations, \$5,000 [2016 - \$25,000] were related to the Capital Asset Fund and \$13,985 [2016 - \$1,000] 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. CAPITAL ASSETS

i) Property and Equipment

	Cost \$	Accumulated amortization \$	Net \$
2017			
Land [note 5(a)]	740,000	—	740,000
Cultural Community Centre [note 5(b)]	4,486,959	2,023,838	2,463,121
Parking garage	220,000	98,262	121,738
Equipment and furniture	548,269	467,560	80,709
Artwork and paintings	54,175	—	54,175
	6,049,403	2,589,660	3,459,743
2016			
Land [note 5(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
	5,829,887	2,473,965	3,355,922

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

5. CAPITAL ASSETS (CONT'D)

The Society's land, cultural centre and parking garage is pledged as collateral for the society's bank loan [see note 6].

(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.

(b) During the year the Society commenced the redevelopment and expansion of its museum [see note 14]. As at December 31, 2017, \$197,984 of costs have been incurred and have been capitalized to the cost of the cultural centre premises. This amount will not be amortized until the redevelopment and expansion is completed, which is expected to be sometime in 2018.

The total estimated cost of the redevelopment and expansion is expected to be approximately \$1,100,000 and will be funded by a \$500,000 grant from the Department of Canadian Heritage, \$50,000 from the Province of British Columbia - Canada 150 grant, and \$550,000 from the transformational gift [note 14].

ii) Intangible Asset – Virtual Museum Website

As at December 31, 2017, the Society has commenced the development of a virtual museum website and had incurred \$30,750 in costs.

The website will be amortized once it is completed.

6. DEMAND OPERATING LOAN

The Society has a demand operating loan of \$800,000 at the Toronto Dominion Bank. As at December 31, 2017, the balance was \$740,000 [2016 - \$780,000].

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 plus interest at prime plus 1.75%.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

7. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
	\$	\$
Operating	57,813	70,303
Museum redevelopment and expansion	80,838	—
Vacation payable	8,777	12,519
Government remittances - GST	—	1,115
- WorkSafe BC	—	919
	147,428	84,856

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. ENDOWMENT FUNDS

i) 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 \$17,195 [2016 - \$17,188] and market value of \$19,237 [2016 - \$18,568]. 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.

ii) Restricted Endowment Fund - Nikkei Place Foundation

During the year, a Restricted Endowment Fund was established by the NPF. A \$100,000 donation was received in this fund for the benefit of the Society with the income earned on this amount to be paid to the Society on an annual basis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

10. DEFERRED DONATIONS

Deferred donations consist of \$25,192 [2016 - \$25,192] designated for the "They Went to War" Campaign which will help preserve the Japanese Canadian War Memorial cenotaph at Stanley Park, \$8,675 [2016 - \$Nil] designated for a signage project, and \$Nil [2016 - \$10,000] designated for the 2017 Summer camp and video project.

	2017 \$	2016 \$
Balance, beginning of year	35,192	25,192
Contributions in the year	8,675	10,000
Expenses in the year	(10,000)	—
Balance, end of year	33,867	35,192

11. GRANTS REVENUE

Grant revenue includes the following,

	2017 \$	2016 \$
B.C. Arts Council	47,236	49,810
B.C. Community Gaming (a)	52,500	50,000
B.C. Museum Association	50,000	—
Burnaby Arts Council	500	500
Canada Federal Government	22,558	34,926
Canada Museum of History	61,460	—
Canada Summer Job	6,836	9,223
Canadian Heritage - Museums Assistance Program	2,628	17,000
Charles Kadota Research Centre	—	5,000
Citizenship and Immigrations Canada	—	5,865
City of Burnaby	7,700	11,000
Department of Canadian Heritage-Hokori Warrior	—	20,800
Department of Canadian Heritage-Matsuri	15,000	23,600
Deux Mille Foundation	4,004	4,000
Japan Foundation Toronto	1,200	—
Minister of Veteran Affairs	2,500	13,657
Municipal Metro Vancouver District	3,250	3,750
National Association of Japanese Canadians	500	2,000
Other (Hastings Park)	8,150	2,119
Social Sciences and Humanities Research Council	26,500	45,875
UBC - Irving Barber Foundation	8,858	7,532
University of Victoria	2,500	—
Village of New Denver	—	2,046
Young Canada Works	15,513	14,695
	339,393	323,398
Grants monies used for capital purchases	(90,597)	(22,571)
	248,796	300,827

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

11. GRANTS REVENUE (CONT'D)

Grant monies used for funding salaries and wages \$146,000 [2016 - \$199,267].

(a) Cash includes \$1,012 [2016 - \$28] of gaming funds received from the Province of B.C. The balance is held in a separate bank account.

12. GOING CONCERN

As at December 31, 2017, the Society has a working capital deficiency of \$671,509 [2016 - \$647,884] 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. DISCLOSURE OF REMUNERATION

Pursuant to the British Columbia Societies Act, the Society is required to disclose wages and benefits paid to employees and contractors in the amount of \$75,000 or more during the fiscal year. Salaries and benefits expense includes remuneration paid to an employee for a total amount of \$95,125 for the fiscal year ending December 31, 2017.

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 in 2018. \$500,000 [2016 - \$Nil] of the donation has been recorded as revenue in the Society's Capital Asset Fund during the year, of which \$100,000 was received by the Society in 2017.

15. OTHER INFORMATION - NIKKEI PLACE FOUNDATION REPAIRS & MAINTENANCE FUND

The Foundation maintains a Repairs & Maintenance Fund ("R&M Fund") to benefit the Society for repairs and maintenance of the Society's building. The R&M Fund includes an initial donation of \$95,000 and as at December 31, 2017, had a market value of \$98,866.

The Society can request amounts from the R&M Fund for repairs and maintenance with the approval of the Foundation's board.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

15. OTHER INFORMATION - NIKKEI PLACE FOUNDATION REPAIRS & MAINTENANCE FUND (CONT'D)

The Society will recognize revenue from the R&M Fund when received.

16. 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, 2017:

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].

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. There has been no change in the Society's risk exposure in the above noted risks since the previous period.

17. COMMITMENTS

As described in [note 5(b)], the Society has commenced the redevelopment and expansion of its museum. The estimated cost of the project is expected to be approximately \$1,100,000 of which \$197,984 was incurred as at December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

17. COMMITMENTS (CONT'D)

The project is expected to be funded by government grants and a transformational gift.

The Society is committed to various redevelopment contracts in the normal course of construction.

18. COMPARATIVE FIGURES

Certain 2016 comparative figures have been reclassified to conform to the current presentation.