

**FINANCIAL STATEMENTS**

**NIKKEI NATIONAL MUSEUM AND  
CULTURAL CENTRE**

**March 31, 2019**



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Nikkei National Museum and Cultural Centre

### *Qualified Opinion*

We have audited the financial statements of Nikkei National Museum and Cultural Centre (the "Society"), which comprise the statement of financial position as at March 31, 2019 and December 31, 2017, and the statements of operations and changes in fund balances and cash flows for the periods then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019 and December 31, 2017, and the results of its operations and its cash flows for the periods then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *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, 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, excess of revenues over expenses, and cash flows from operations for the 15 months period ended March 31, 2019 and 12 month period ended December 2017, current assets as at March 31, 2019 and December 31, 2017, and net assets as at January 1, 2018, March 31, 2019 and January 1 and December 31, 2017. Our audit opinion on the financial statements for the period ending December 31, 2017 was modified accordingly because the possible effects of this limitation in scope.

We conducted our audits 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 Society in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we 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 qualified audit opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 12 in the financial statements which indicates that the Society has a Fund deficiency of \$751,396 as at March 31, 2019 in the Society Fund. As stated in Note 12, these events or conditions along with other matters as set forth in Note 12, indicate that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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:



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## INDEPENDENT AUDITOR'S REPORT

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- 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 Society'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 Society'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 Society 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.

### 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 period.

*Tompkins Wozny LLP*

Vancouver, Canada  
June 19, 2019

Chartered Professional Accountants



## STATEMENT OF FINANCIAL POSITION

As at March 31

	2019			December 31,	
	Restricted Funds			2017	
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
				[15 months ended]	[12 months ended]
<b>ASSETS</b>					
<b>Current</b>					
Cash	568,776	—	—	568,776	229,663
Accounts receivable [note 3]	19,380	—	—	19,380	6,502
Inventory	36,384	—	—	36,384	30,553
Prepaid expenses	25,622	—	—	25,622	45,493
Due from Nikkei Place Foundation [note 4(a)]	13,688	—	123,125	136,813	412,304
Due from Nikkei Senior's Health Care and Housing Society	—	—	—	—	1,615
<b>Total current assets</b>	<b>663,850</b>	<b>—</b>	<b>123,125</b>	<b>786,975</b>	<b>726,130</b>
Property and equipment [note 5(i)]	—	—	4,354,409	4,354,409	3,459,743
Intangible asset [note 5(ii)]	—	—	51,250	51,250	30,750
	<b>663,850</b>	<b>—</b>	<b>4,528,784</b>	<b>5,192,634</b>	<b>4,216,623</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIENCY)</b>					
<b>Current liabilities</b>					
Current portion of bank loan [note 6]	31,650	—	—	31,650	740,000
Accounts payable and accruals [note 7]	106,342	—	352,681	459,023	147,428
Deferred revenue - grants	163,254	—	—	163,254	62,400
- donations [note 10]	48,187	—	—	48,187	33,867
- other	54,180	—	—	54,180	60,744
Due to Nikkei Place Foundation [note 4(a)]	2,040	—	—	2,040	81,565
Interfund payable (receivable), no specific terms	346,443	—	(346,443)	—	—
<b>Total current liabilities</b>	<b>752,096</b>	<b>—</b>	<b>6,238</b>	<b>758,334</b>	<b>1,126,004</b>
Bank loan [note 6]	663,150	—	—	663,150	—
	<b>1,415,246</b>	<b>—</b>	<b>6,238</b>	<b>1,421,484</b>	<b>1,126,004</b>
<b>Fund balances (deficiency)</b>					
Externally restricted	—	—	—	—	2,372
Invested in capital assets	—	—	4,522,546	4,522,546	3,759,756
Deficiency	(751,396)	—	—	(751,396)	(671,509)
<b>Total fund balances (deficiency)</b>	<b>(751,396)</b>	<b>—</b>	<b>4,522,546</b>	<b>3,771,150</b>	<b>3,090,619</b>
	<b>663,850</b>	<b>—</b>	<b>4,528,784</b>	<b>5,192,634</b>	<b>4,216,623</b>

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

Period ended March 31

	2019			December 31,	
	Restricted Funds			2017	
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
		[note 8]	[note 14]	[15 months ended]	[12 months ended]
<b>REVENUE</b>					
Rental [note 4(a)]	421,821	—	—	421,821	353,703
Grants [note 11]	371,973	—	470,500	842,473	339,393
Donations - cash [note 4(b)]	300,235	—	500,000	800,235	726,830
- in-kind [note 4(b)]	37,125	—	—	37,125	82,025
Fundraising	170,586	—	—	170,586	145,593
School and Centre programs	107,808	—	—	107,808	75,447
Museum sales	74,493	—	—	74,493	77,633
Special events	68,033	—	—	68,033	50,860
Memberships and other	62,014	227	—	62,241	33,976
Museum exhibits	13,122	—	—	13,122	100,179
Nikkei Place Foundation contribution [note 4(a)]	20,000	—	—	20,000	20,000
	1,647,210	227	970,500	2,617,937	2,005,639
<b>EXPENSES</b>					
Salaries and benefits [note 11 & 13]	844,692	—	—	844,692	692,951
Museum	222,154	816	—	222,970	178,366
Amortization	—	—	169,272	169,272	115,689
Fundraising - expenditures [note 4(b)]	140,664	—	38,438	179,102	153,370
- in-kind	37,125	—	—	37,125	72,025
Utilities	99,436	—	—	99,436	87,591
Special events and programs	61,174	—	—	61,174	43,054
Repairs and maintenance	59,993	—	—	59,993	54,208
Office, supplies and other	45,994	—	—	45,994	34,911
Interest on bank loan	43,599	—	—	43,599	35,240
Property taxes	41,152	—	—	41,152	37,198
Shop purchases - museum	35,263	—	—	35,263	37,434
Insurance	33,970	—	—	33,970	24,951
Professional	20,447	—	—	20,447	13,346
Bank and credit card charges	18,888	—	—	18,888	16,660
Rental	10,999	—	—	10,999	12,030
Advertising and promotion	8,630	—	—	8,630	7,615
Japanese War Memorial	4,125	—	—	4,125	5,014
Stevenson Memorial	575	—	—	575	—
	1,728,880	816	207,710	1,937,406	1,621,653
Revenue over (under) expenses for the period	(81,670)	(589)	762,790	680,531	383,986
Fund balances (deficiency), beginning of period	(671,509)	2,372	3,759,756	3,090,619	2,706,633
Interfund transfers	1,783	(1,783)	—	—	—
Fund balances (deficiency), end of period	(751,396)	—	4,522,546	3,771,150	3,090,619

See accompanying notes to the financial statements



## STATEMENT OF CASH FLOWS

Period ended March 31

	2019			December 31, 2017	
	Restricted Funds				
	Society Fund	Fisherman's Reunion Fund	Capital Asset Fund	Total	Total
	\$	\$	\$	\$	\$
				[15 months ended]	[12 months ended]
<b>OPERATING ACTIVITIES</b>					
Revenue over (under) expenses for the period	(81,670)	(589)	762,790	680,531	383,986
Items not affecting cash					
Amortization of capital assets	—	—	169,272	169,272	115,689
Donated assets	—	—	—	—	(10,000)
Changes in non-cash working capital items					
Accounts receivable	(12,878)	—	—	(12,878)	7,559
Inventory	(5,831)	—	—	(5,831)	(1,260)
Prepaid expenses	(18,567)	—	38,438	19,871	(31,873)
Accounts payable and accruals	39,752	—	—	39,752	(18,266)
Deferred revenue	124,150	—	(15,540)	108,610	2,344
<b>Cash provided by (used in) operating activities</b>	<b>44,956</b>	<b>(589)</b>	<b>954,960</b>	<b>999,327</b>	<b>448,179</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of capital assets (net of payables)	—	—	(812,595)	(812,595)	(159,422)
Advance (to) from Nikkei Place					
Foundation (net)	(4,034)	—	200,000	195,966	(337,755)
Advance (to) from Nikkei Senior's Health					
Care and Housing Society (net)	1,615	—	—	1,615	1,062
<b>Cash used in investing activities</b>	<b>(2,419)</b>	<b>—</b>	<b>(612,595)</b>	<b>(615,014)</b>	<b>(496,115)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of bank loan	(45,200)	—	—	(45,200)	(40,000)
Change in interfund balances	344,148	(1,783)	(342,365)	—	—
<b>Cash provided by (used in) financing activities</b>	<b>298,948</b>	<b>(1,783)</b>	<b>(342,365)</b>	<b>(45,200)</b>	<b>(40,000)</b>
<b>Increase (decrease) in cash for the period</b>	<b>341,485</b>	<b>(2,372)</b>	<b>—</b>	<b>339,113</b>	<b>(87,936)</b>
Cash, beginning of period	227,291	2,372	—	229,663	317,599
<b>Cash, end of period</b>	<b>568,776</b>	<b>—</b>	<b>—</b>	<b>568,776</b>	<b>229,663</b>

See accompanying notes to the financial statements

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

### 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

March 31, 2019

### 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 for 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 and Nikkei Place Foundation.





## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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

Financial liabilities measured at amortized cost includes bank loan, accounts payable, and amounts due to 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 by specific identification.

#### **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

March 31, 2019

**3. ACCOUNTS RECEIVABLE**

	March 31, 2019 \$	December 31, 2017 \$
Operating	9,565	6,198
Government remittances - GST	9,815	304
Allowance for doubtful accounts	—	—
	<b>19,380</b>	<b>6,502</b>

**4. RELATED PARTY TRANSACTIONS**

The Society and the Nikkei Place Foundation ("Foundation") 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 March 31, 2019, the Society has a receivable from the Foundation in the amount of \$136,813 [2017 - \$412,304]. The receivable will earn interest on money market funds invested by the Foundation on behalf of the Society.

As at March 31, 2019, the Society has a payable to the Foundation in the amount of \$2,040 [2017 - \$81,565]. The payable is non-interest bearing and is unsecured.

Rental revenue includes \$7,000 [2017 - \$6,000] charged to the Foundation.

The Society reimbursed the Foundation \$Nil [2017 - \$76,875] for a fundraising expense relating to the transformational gift [see note 14], \$Nil [2017 - \$38,438] is included in prepaid expenses and \$38,438 [2017 - \$38,437] is included as a fundraising expense in the Capital Fund.

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

	March 31, 2019 \$	December 31, 2017 \$
Disbursements received from the Foundation	20,000	20,000
Expenses paid to the Foundation		
Fundraising expenses	8,104	28,711
Project expenses	2,697	—
Salaries expenses	10,287	18,874

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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

## b) Donation Revenue

For the year ended March 31, 2019, the Society received donations from the board of directors in the amount of \$22,203 [2017 - \$88,497]. Of these donations, \$Nil [2017 - \$5,000] were related to the Capital Asset Fund and \$1,904 [2017 - \$13,985] 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 \$
<b>2019</b>			
Land [note 5(a)]	740,000	—	740,000
Cultural Community Centre [note 5(b)]	5,550,897	2,167,702	3,383,195
Parking garage	220,000	104,300	115,700
Equipment and furniture	548,270	486,931	61,339
Artwork and paintings	54,175	—	54,175
	<b>7,113,342</b>	<b>2,758,933</b>	<b>4,354,409</b>
<b>2017</b>			
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	548,270	467,561	80,709
Artwork and paintings	54,175	—	54,175
	<b>6,049,404</b>	<b>2,589,661</b>	<b>3,459,743</b>

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

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

**5. CAPITAL ASSETS (CONT'D)**

(b) During the period ended December 31, 2017 the Society commenced the redevelopment and expansion of its museum [note 14]. As at March 31, 2019, \$1,261,922 [2017 - \$197,984] of costs have been incurred to date and have been capitalized to the cost of the cultural centre premises.

The total estimated cost of the redevelopment and expansion is expected to be approximately \$1,265,000 and is 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 March 31, 2019, the Society has commenced the development of a virtual museum website and had incurred \$51,250 in costs [2017 - \$30,750].

The website will be assessed for a useful life and amortization once it is completed.

**6. BANK LOAN**

The Society has a bank loan of \$723,333 at the Toronto Dominion Bank. As at March 31, 2019, the balance was \$694,800 [2017 - \$740,000 - formally a demand loan].

	2019 \$	2017 \$
Repayable in monthly blended payments of \$5,325, including interest at 4.694%, renewable June, 2020.	694,800	740,000
Less: current portion	(31,650)	(740,000)
	663,150	—

The bank 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 in the amount of \$9,500,000 as First Loss Payee is also pledged as collateral for the loan.

Principal payments due on the mortgage payable in the next two years are estimated as follows:

	\$
2020	31,650
2021 and thereafter	663,150
	694,800

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

## 7. ACCOUNTS PAYABLE AND ACCRUALS

	March 31, 2019 \$	December 31, 2017 \$
Operating	65,119	53,964
Museum redevelopment and expansion	352,681	80,838
Wages payable	39,943	11,752
Government remittances - WorkSafe BC	770	—
- PST	510	874
	459,023	147,428

## 8. RESTRICTED FISHERMEN'S REUNION FUND

The Fishermen's Reunion Fund is externally restricted and can only be spent on expenses relating 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, the capital balance of the endowment fund is \$17,125 [2017 - \$17,025] and market value of \$19,284 [2017 - \$19,237]. There was \$100 in new contributions during the current year [2017 - \$Nil]. 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

In December 2017, a Restricted Endowment Fund was established by the Nikkei Place Foundation ("NPF") in the amount of \$100,000 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

March 31, 2019

### 9. ENDOWMENT FUNDS (CONT'D)

#### iii) Restricted Endowment Fund - Private

In June 2018, a Restricted Endowment Fund was established by the NPF in the amount of \$253,035, for the benefit of the Society with the income earned on this amount to be paid to the Society on an annual basis.

As at March 31, 2019, the Society had a receivable of \$8,572 [2017 - \$Nil] from investment income related to pooled funds of Endowment funds [note 9(ii)] and [note 9(iii)].

### 10. DEFERRED DONATIONS

Deferred donations consist of \$19,469 [2017 - \$25,192] designated for the "They Went to War" Campaign which will help preserve the Japanese Canadian War Memorial cenotaph at Stanley Park, \$13,565 [2017 - \$8,675] designated for a signage project, \$10,929 [2017 - \$Nil] designated for the Steveston Memorial project, and \$4,224 [2017 - \$Nil] designated for the 2019 Matsuri Festival.

	March 31, 2019 \$	December 31, 2017 \$
Balance, beginning of period	33,867	35,192
Contributions in the period	574,255	8,675
Recognized in the period	(559,935)	(10,000)
<b>Balance, end of period</b>	<b>48,187</b>	<b>33,867</b>

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

## 11. GRANTS REVENUE

Grant revenue includes the following,

	March 31, 2019 \$	December 31, 2017 \$
	<i>[15 months ended]</i>	<i>[12 months ended]</i>
B.C. Arts Council	92,725	47,236
B.C. Community Gaming (a)	50,000	52,500
B.C. Museum Association	600	50,000
B.C. Teachers Association	1,000	—
Burnaby Arts Council	—	500
Canadian Heritage Grant	450,000	—
Canada Museum of History	51,040	61,460
Canada Summer Job	6,072	6,836
Canadian Heritage - Museums Assistance Program	—	2,628
City of Burnaby	11,000	7,700
Department of Canadian Heritage-Matsuri	25,475	15,000
Deux Mille Foundation	2,000	4,004
Government of Canada - Celebrate Spring	—	8,400
Japan Foundation Toronto	—	1,200
Library & Archives Canada - DHCP	31,731	14,158
Metro Vancouver Regional District	1,000	3,250
Metro Vancouver Cultural Grant	5,000	—
National Association of Japanese Canadians	14,500	500
Other (Hastings Park)	344	8,150
Social Sciences and Humanities Research Council	—	26,500
UBC - Irving Barber Foundation	12,043	8,858
University of Victoria	64,950	2,500
Veteran Affairs Canada	1,200	2,500
Young Canada Works	21,793	15,513
	842,473	339,393
Grants monies used for capital purchases	(470,500)	(90,597)
	371,973	248,796

Grant monies used for funding salaries and wages \$184,898 [2017 - \$146,000].

(a) Cash includes \$900 [2017 - \$1,012] of gaming funds received from the Province of B.C. The balance is held in a separate bank account.



## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

### 12. GOING CONCERN

As at March 31, 2019, the Society has a Fund deficiency of \$751,396 [2017 - \$671,509] 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, its bank, members, 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 when amounts paid are \$75,000 or more during the fiscal year.

During the period, one employee [2017 - one] earned over \$75,000. The total amount paid to the employee for the fifteen month period was \$124,589 [2017 - \$95,125 - 12 months]. Of this amount, \$10,260 [2017 - \$Nil] has been capitalized to the redevelopment and expansion of the Society's museum [note5(b)] and \$114,329 [2017 - \$95,125] has been included in salaries and benefits expense.

### 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, of which \$123,125 has not yet been received. Donation revenue recorded to date includes \$500,000 for the period ended December 31, 2017 and \$500,00 recorded for the period ended March 31, 2019. These revenues have been recorded in the Society's Capital Asset Fund.

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

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 March 31, 2019, had a market value of \$106,116 [2017 - \$98,866]. During the period, the Society earned investment income in the amount \$2,423 [2017 - \$Nil].

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

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

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

### 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 March 31, 2019:

#### 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 Fund 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 risks 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 \$1,265,000 of which \$1,261,922 [2017 - \$197,984] been incurred to March 31, 2019. The project is funded by government grants and a transformational gift.

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2019

### 18. COMPARATIVE FIGURES AND CHANGE IN YEAR END

Certain December 31, 2017 comparative figures have been reclassified to conform to the current presentation.

During the period, the Society changed its fiscal year end period from December 31 to March 31 effective for the period ending March 31, 2019.

The comparative figures for the 12 month period ending March 31, 2018 are not readily available, thus, the comparative figures presented are for the 12 month period ending December 31, 2017.