

Fathers of Confederation Buildings Trust
(Operating as Confederation Centre of the Arts)

Financial Statements
March 31, 2020



Member of The AC Group of Independent Accounting Firms

August 21, 2020

Independent Auditor's Report

To the Members of the Fathers of Confederation Buildings Trust

Opinion

We have audited the accompanying financial statements of Fathers of Confederation Buildings Trust, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fathers of Confederation Buildings Trust as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Fathers of Confederation Buildings Trust in accordance with the ethical requirements that are relevant to our audit 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 opinion.

Other Information

Management is responsible for other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the annual report.

Our opinion on the financial statements does not cover the other information and we not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that face in this auditor's report. We have nothing to report in this regard.

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 Fathers of Confederation Buildings Trust'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 Fathers of Confederation Buildings Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fathers of Confederation Buildings Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fathers of Confederation Buildings Trust'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 Fathers of Confederation Buildings Trust'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 Fathers of Confederation Buildings Trust 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Fathers of Confederation Buildings Trust

Statement of Financial Position

As at March 31, 2020

			2020	2019
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash	39,002	408	39,410	408
Accounts receivable (note 3)	354,511	35,002	389,513	255,063
Government contributions receivable	306,155	104,438	410,593	241,503
Inventories	125,980	-	125,980	157,376
Prepaid expenses	93,004	-	93,004	284,495
	918,652	139,848	1,058,500	938,845
Capital assets (note 4)	-	25,560,405	25,560,405	26,502,487
Works of art (note 5)	-	8,846,494	8,846,494	8,627,984
	918,652	34,546,747	35,465,399	36,069,316
Liabilities				
Current liabilities				
Bank advances (note 6)	255,472	2,732,709	2,988,181	2,874,960
Accounts payable and accrued liabilities (note 12)	636,230	328,486	964,716	603,176
Deferred revenue	580,756	43,675	624,431	1,025,089
Current portion of long-term debt	-	50,894	50,894	118,036
Current portion of obligation under capital lease	-	-	-	12,654
	1,472,458	3,155,764	4,628,222	4,633,915
Long-term debt , less current portion (note 7)	-	-	-	50,866
	1,472,458	3,155,764	4,628,222	4,684,781
Contingency (note 10)				
Net Assets (Liabilities)				
Invested in capital assets	-	31,390,983	31,390,983	31,959,293
Unrestricted	(553,806)	-	(553,806)	(574,758)
	(553,806)	31,390,983	30,837,177	31,384,535
	918,652	34,546,747	35,465,399	36,069,316

Approved by the Board of Directors

 Director

 Director

Fathers of Confederation Buildings Trust

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2020

			2020	2019
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
Revenue				
Programming (Schedule 1)	4,008,723	-	4,008,723	4,357,593
Commercial (Schedule 1)	1,710,784	-	1,710,784	2,120,396
Fundraising and development (note 9)	773,482	421,784	1,195,266	1,128,965
Confederation Centre of the Arts Foundation (note 12)	650,000	-	650,000	400,000
Investments and other revenue	251,642	-	251,642	87,126
	7,394,631	421,784	7,816,415	8,094,080
Public sector grants (Schedule 1)	5,281,345	210,654	5,491,999	4,638,938
	12,675,976	632,438	13,308,414	12,733,018
Expenses (Schedule 2)				
Programming (Schedule 1) (note 9)	7,517,729	-	7,517,729	7,821,306
Commercial (Schedule 1)	1,419,053	-	1,419,053	1,710,824
Fundraising and development	253,283	-	253,283	236,685
Building operations	2,297,450	1,193,696	3,491,146	3,709,891
Administration (notes 7 and 8)	1,167,509	7,052	1,174,561	1,199,635
	12,655,024	1,200,748	13,855,772	14,678,341
Excess revenue (expenses) for the year	20,952	(568,310)	(547,358)	(1,945,323)
Net assets (liabilities) - Beginning of year	(574,758)	31,959,293	31,384,535	33,329,858
Net assets (liabilities) - End of year	(553,806)	31,390,983	30,837,177	31,384,535

Fathers of Confederation Buildings Trust

Statement of Cash Flows

For the year ended March 31, 2020

			2020	2019
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
Cash provided by (used in)				
Operating activities				
Excess revenue (expenses) for the year	20,952	(568,310)	(547,358)	(1,945,323)
Items not affecting cash				
Amortization	-	1,193,697	1,193,697	1,416,459
Donations of works of art	-	(149,125)	(149,125)	(210,238)
	20,952	476,262	497,214	(739,102)
Net change in non-cash working capital items (note 13)	(202,926)	83,155	(119,771)	280,435
	(181,974)	559,417	377,443	(458,667)
Financing activities				
Payments on long-term debt	-	(118,008)	(118,008)	(113,115)
Payments on obligation under capital lease	-	(12,654)	(12,654)	(15,592)
	-	(130,662)	(130,662)	(128,707)
Investing activities				
Purchase of capital assets	-	(251,615)	(251,615)	(292,465)
Costs for acquiring works of art	-	(69,385)	(69,385)	(20,880)
	-	(321,000)	(321,000)	(313,345)
Change in net cash	(181,974)	107,755	(74,219)	(900,719)
Net cash - Beginning of year	(34,496)	(2,840,056)	(2,874,552)	(1,973,833)
Net cash - End of year	(216,470)	(2,732,301)	(2,948,771)	(2,874,552)
Net cash consists of				
Cash	39,002	408	39,410	408
Bank advances	(255,472)	(2,732,709)	(2,988,181)	(2,874,960)
	(216,470)	(2,732,301)	(2,948,771)	(2,874,552)

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

1 Purpose of the organization

The Fathers of Confederation Buildings Trust is a national organization operating cultural programs and activities, whose mandate is to celebrate the origins and evolution of Canada as a nation through heritage and the arts. The Fathers of Confederation Buildings Trust is a body corporate incorporated by a special act of the Prince Edward Island legislature in 1964.

The Fathers of Confederation Buildings Trust is a Canadian registered charity. Donations to the Fathers of Confederation Buildings Trust are also eligible as Crown gifts to Her Majesty in right of a Province under Sections 110.1(1)(b) and 118.1(1) of the Income Tax Act.

The Trust is not subject to income taxes under Section 149 of the Income Tax Act.

2 Summary of significant accounting policies

Basis of accounting

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

Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund was established to provide for the renewal and replacement of the existing capital assets and works of art of the Trust. Included in capital fund net assets is \$5,949,117 in Founder's Capital, which represents the amount for original capital assets contributed by the Fathers of Confederation Memorial Citizens Foundation. The remainder of the net assets invested in capital assets is accumulated capital.

Cash

Cash consists of cash on hand and bank balances.

Revenue recognition

The Trust follows the restricted fund method of accounting for contributions whereby restricted contributions, including government contributions and donations, are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenues in the Operating Fund.

Programming revenue and expenses are recorded in the period in which the related performances or programs occur. Accordingly, such amounts received and paid prior to year-end for operations of the ensuing fiscal year are recorded as deferred revenue and prepaid expenses, respectively.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

Donated materials and services are recorded in the Operating Fund when a fair value can be reasonably estimated, when they are used in the normal course of the Trust's operations and when they would otherwise have been purchased.

Revenue, including food and beverage, interest, and other contributions, are recorded in the period earned.

Inventories

Inventories are valued at the lower of cost, determined using the first-in, first-out method, and net realizable value.

Capital assets and amortization

Capital assets are recorded at cost. Capital assets are written down to residual value when they have no further service potential to the Trust.

Amortization is calculated using the straight-line method at the annual rates of 2.5% for buildings, 20% for equipment, and equipment under capital lease and 33.3% for theatrical scenery.

Works of art

Purchased works of art are recorded at cost. Donated works of art are recorded at fair market/appraised value when fair market value/appraised value can be reasonably estimated. Appraisal and related acquisition fees are also capitalized. Works of art are written down to residual value when there are signs of impairment.

Amortization is not recorded on works of art.

Government assistance

In addition to annual operating grants, the Trust receives government contributions related to specific projects and program activities. These grants may be repayable if the terms and conditions of the applicable contribution agreements are not met.

Government assistance for capital assets is recorded as revenue of the capital fund.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and inventories, the estimated useful life of capital assets and valuation of works of art. Actual results could differ from those estimates.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

Financial instruments

(a) Measurement of financial instruments

Fathers of Confederation Buildings Trust's financial instruments consist of cash, accounts receivable, government contributions receivable, bank advances, accounts payable and accrued liabilities and long-term debt.

The Trust initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

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

(b) Impairment

For financial assets measured at cost or amortized cost, the Trust determines whether there are indications of possible impairment. When there is an indication of impairment, and the Trust determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess expenses.

(c) Risks

Transacting in financial instruments exposes the entity to certain financial risks and uncertainties. These risks include:

- i) Interest rate risk: The Trust is exposed to interest rate risk due to the variable rate interest on their bank advances. Changes in the bank lending rates can cause fluctuations in cash flows and interest expense. The Trust does not use any derivatives to manage this risk.
- ii) Credit risk: The Trust is exposed to credit risk in connection with the collection of its accounts receivable. The Trust mitigates this risk by performing continuous evaluation of its accounts receivable.
- iii) Liquidity risk: The Trust's exposure to liquidity risk is dependent on the sale of tickets, sale of inventories, receipt of contributions, collection of accounts receivable or raising of funds to meet commitments and sustain operations. The Trust controls liquidity risk by management of working capital and cash flows.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

3 Accounts receivable

	2020	2019
	\$	\$
Trade accounts receivable	321,404	226,875
HST receivable	68,109	28,188
	<hr/>	<hr/>
	389,513	255,063
	<hr/>	<hr/>

4 Capital assets

			2020	2019
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	260,576	-	260,576	260,576
Buildings	40,946,981	16,017,091	24,929,890	25,953,565
Equipment, including theatrical scenery	8,654,298	8,284,359	369,939	288,346
	<hr/>	<hr/>	<hr/>	<hr/>
	49,861,855	24,301,450	25,560,405	26,502,487
	<hr/>	<hr/>	<hr/>	<hr/>

Under the Fathers of Confederation Building Act, the land and buildings are to be maintained as a national memorial to the Fathers of Confederation. The property may not be sold or encumbered without approval of the Lieutenant Governor in Council of Prince Edward Island.

5 Works of art

The Trust maintains a permanent collection of contemporary and historical works of art, many of which are Canadian in origin or content.

The collection is subject to an organizational policy that requires any proceeds from the sale of works of art to be used to acquire other items to be added to the collection or for the direct care of the existing collection.

6 Bank advances

Bank advances are unsecured and bear an interest rate of prime + 0%.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

7 Long-term debt

	2020	2019
	\$	\$
4.25% term loan, due August 2020, repayable with monthly principal and interest payments of \$10,244	50,894	168,902
Less: Current portion	50,894	118,036
	<u>-</u>	<u>50,866</u>

A Government Guarantee in the form of an Order in Council issued by the Province of Prince Edward Island in the amount of \$1,000,000 in support of The Fathers of Confederation Buildings Trust is pledged as security for the 4.25% term loan.

The aggregate amount of principal payments estimated to be required in the next year to meet retirement provisions is as follows:

	\$
Year ending March 31, 2021	50,894

Interest of \$4,925 (2019 - \$9,792) on the loans is included in administration expenses on the Statement of Operations and Changes in Net Assets.

8 Obligation under capital lease

	2020	2019
	\$	\$
Total minimum lease payments under a 7.5% capital lease repaid during the year	-	13,910
Less: Amount representing interest	-	1,256
	<u>-</u>	<u>12,654</u>
Less: Current portion	-	12,654
	<u>-</u>	<u>-</u>

Interest of \$854 (2019 - \$1,051) on the lease is included in administration expenses on the Statement of Operations and Changes in Net Assets.

9 Donated materials and services

Donated materials and services included in fundraising revenue totaled \$145,124 for 2020 (2019 - \$251,034). The related expenses for donated materials and services included on the Statement of Operations and Changes in Net Assets are included in programming expenses.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

10 Contingency

As required by a contractual agreement, the Trust has a letter of guarantee in the amount of \$193,607 as at March 31, 2020 (2019 - \$193,607) in favour of the Canadian Actors' Equity Association.

11 Pension plan

The Trust provides employees with a voluntary defined contribution pension plan in which the Trust matches employee contributions to the plan, within specified limits. During the year, the Trust expensed \$204,595 (2019 - \$206,472) in contributions to the plan. This expense is included with salaries and benefits on Schedule 2.

12 Related party transactions

Included in accounts payable and accrued liabilities at March 31, 2020 is nil (2019 - \$10,750) to Confederation Centre of the Arts Foundation Inc.

During the year, \$650,000 (2019 - \$400,000) in donations were received by the Trust from Confederation Centre of the Arts Foundation Inc.

Fathers of Confederation Buildings Trust and Confederation Centre of the Arts Foundation Inc. are related as follows:

- a) two of the total of six members of the Board of Directors of the Foundation are members of the Board of Directors of the Trust;
- b) both entities are administered by staff of the Trust; and
- c) the Foundation was incorporated on October 25, 2010 to acquire and maintain a capital fund to generate income for the support and benefit of the Trust and other qualified donees.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2020

13 Net change in non-cash working capital items

			2020	2019
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Decrease (increase) in accounts receivable	(110,928)	(23,522)	(134,450)	8,012
Decrease (increase) in government contributions receivable	(64,652)	(104,438)	(169,090)	211,107
Decrease in inventories	31,396	-	31,396	14,711
Decrease in prepaid expenses	191,491	-	191,491	145,368
Increase (decrease) in accounts payable and accrued liabilities	194,100	167,440	361,540	(212,865)
Increase (decrease) in deferred revenue	(444,333)	43,675	(400,658)	114,102
	(202,926)	83,155	(119,771)	280,435

14 Subsequent event

On April 24, 2020 management announced the cancellation of the 2020 Charlottetown Festival due to the outbreak of COVID-19 (coronavirus). The net impact of the cancellation of the Festival is estimated to be approximately \$1.3 million. The Centre has put mitigating measures in place and expects to fully make up the negative impact of the cancellation through increased government contributions.

15 COVID-19

On March 11, 2020, the World Health Organization declared the new COVID-19 (coronavirus) a global pandemic. Based on public health recommendations, management made the decision to close the Centre to visitors and non-essential staff on March 16, 2020 until further notice. As the pandemic only impacted the last two weeks of 2019 - 20, the financial impact on operations up to March 31, 2020 was not significant.

Although the Centre re-opened its' doors to the public on June 12, 2020, the situation continues to evolve and the overall extent of the pandemic's impact on operations cannot be estimated at this time. The Centre will continue to align itself with guidelines and directives from the Province of Prince Edward Island, while continuing to prioritize health and safety.

Fathers of Confederation Buildings Trust

Schedule of Revenues, Expenses and Public Sector Grants

For the year ended March 31, 2020

Schedule 1

			2020	2019
	Revenues	Expenses	Net	Net
	\$	\$	\$	\$
Programming				
Performing Arts	3,314,758	4,779,884	(1,465,126)	(1,249,246)
Visual Arts	81,956	713,001	(631,045)	(595,912)
Arts education and heritage	358,180	567,874	(209,694)	(254,431)
Programming support	253,829	1,456,970	(1,203,141)	(1,364,124)
	<u>4,008,723</u>	<u>7,517,729</u>	<u>(3,509,006)</u>	<u>(3,463,713)</u>
Commercial				
Food and beverage	835,082	884,026	(48,944)	70,202
The Showcase	349,037	324,480	24,557	49,105
Theatre concessions	154,015	62,820	91,195	76,340
Facility rentals	372,650	147,727	224,923	213,925
	<u>1,710,784</u>	<u>1,419,053</u>	<u>291,731</u>	<u>409,572</u>
			2020	2019
	Operating Fund	Capital Fund	Total Revenue	Total Revenue
	\$	\$	\$	\$
Public Sector Grants				
Federal	4,068,728	210,654	4,279,382	3,474,895
Province of PEI	914,050	-	914,050	914,999
Province of Nova Scotia	10,000	-	10,000	10,000
City of Charlottetown	288,567	-	288,567	239,044
	<u>5,281,345</u>	<u>210,654</u>	<u>5,491,999</u>	<u>4,638,938</u>

Fathers of Confederation Buildings Trust

Schedule of Expenses by Type

For the year ended March 31, 2020

Schedule 2

	2020	2019
	\$	\$
Salaries and benefits (note 11)	6,157,649	6,306,465
Artistic fees	2,380,482	2,457,472
Amortization	1,193,697	1,416,459
Advertising and promotion	598,735	771,500
Cost of sales	550,310	696,855
Utilities	665,396	725,589
Property taxes	251,934	239,044
Maintenance and repairs	156,769	164,563
Financial charges	292,735	303,248
Staff development	117,128	77,437
Office expenses	54,988	60,721
Professional fees	284,056	271,384
Programming	540,762	571,138
Supplies	149,724	143,923
Miscellaneous	60,760	82,521
Insurance	196,622	160,223
Board expenses	59,215	71,650
Technology	144,810	158,149
	<u>13,855,772</u>	<u>14,678,341</u>