

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

Financial Statements
March 31, 2021



Member of The AC Group of Independent Accounting Firms

July 16, 2021

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, 2021, 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, 2021, 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 do 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 fact 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, 2021

				2021	2020
	Operating Fund	Capital Fund	Culture Development Fund	Total	Total
	\$	\$	\$	\$	
Assets					
Current assets					
Cash	528,399	408	500,000	1,028,807	39,410
Accounts receivable (note 3)	563,858	203,444	-	767,302	389,513
Government contributions receivable	1,298,911	393,420	-	1,692,331	410,593
Inventories	32,638	-	-	32,638	125,980
Prepaid expenses	152,698	-	-	152,698	93,004
	2,576,504	597,272	500,000	3,673,776	1,058,500
Capital assets (note 4)	-	25,790,310	-	25,790,310	25,560,405
Works of art (note 5)	-	8,986,532	-	8,986,532	8,846,494
	2,576,504	35,374,114	500,000	38,450,618	35,465,399
Liabilities					
Current liabilities					
Bank advances (note 6)	-	2,592,483	-	2,592,483	2,988,181
Accounts payable and accrued liabilities (note 12)	640,743	611,093	-	1,251,836	964,716
Deferred revenue	782,188	46,904	-	829,092	624,431
Current portion of long-term debt	-	-	-	-	50,894
Current portion of obligation under capital lease	-	14,226	-	14,226	-
	1,422,931	3,264,706	-	4,687,637	4,628,222
Obligation under capital lease, less current portion (note 8)	-	23,208	-	23,208	-
	1,422,931	3,287,914	-	4,710,845	4,628,222
Contingency (note 10)					
Net Assets					
Invested in capital assets	-	32,086,200	-	32,086,200	31,390,983
Restricted	-	-	500,000	500,000	-
Unrestricted	1,153,573	-	-	1,153,573	(553,806)
	1,153,573	32,086,200	500,000	33,739,773	30,837,177
	2,576,504	35,374,114	500,000	38,450,618	35,465,399

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, 2021

	2021			2020	
	Operating Fund \$	Capital Fund \$	Culture Development Fund \$	Total \$	Total \$
Revenue					
Programming (Schedule 1)	185,162	-	-	185,162	4,008,723
Commercial (Schedule 1)	329,515	-	-	329,515	1,710,784
Fundraising and development (note 9)	449,855	141,025	-	590,880	1,195,266
Confederation Centre of the Arts Foundation (note 12)	-	50,000	-	50,000	650,000
Investments and other revenue	100,020	5,762	-	105,782	251,642
	1,064,552	196,787	-	1,261,339	7,816,415
Public sector grants (Schedule 1)	8,865,448	1,499,584	-	10,365,032	5,491,999
	9,930,000	1,696,371	-	11,626,371	13,308,414
Expenses (Schedule 2)					
Programming (Schedule 1) (note 9)	3,313,623	-	-	3,313,623	7,517,729
Commercial (Schedule 1)	339,682	-	-	339,682	1,419,053
Fundraising and development	216,781	-	-	216,781	253,283
Building operations	2,320,834	1,489,589	-	3,810,423	3,491,146
Administration (notes 7 and 8)	1,031,701	11,565	-	1,043,266	1,174,561
	7,222,621	1,501,154	-	8,723,775	13,855,772
Excess revenue (expenses) for the year	2,707,379	195,217	-	2,902,596	(547,358)
Net assets (liabilities) - Beginning of year	(553,806)	31,390,983	-	30,837,177	31,384,535
	2,153,573	31,586,200	-	33,739,773	30,837,177
Transfer from Operating Fund to Culture Development Fund (note 14)	(500,000)	-	500,000	-	-
Transfer from Operating Fund to Capital Fund (note 14)	(500,000)	500,000	-	-	-
Net assets - End of year	1,153,573	32,086,200	500,000	33,739,773	30,837,177

Fathers of Confederation Buildings Trust

Statement of Cash Flows

For the year ended March 31, 2021

				2021	2020
	Operating Fund	Capital Fund	Culture Development Fund	Total	Total
	\$	\$	\$	\$	\$
Cash provided by (used in)					
Operating activities					
Excess revenue (expenses) for the year	2,707,379	195,217	-	2,902,596	(547,358)
Items not affecting cash					
Amortization	-	1,489,589	-	1,489,589	1,193,697
Donations of works of art	-	(99,417)	-	(99,417)	(149,125)
	2,707,379	1,585,389	-	4,292,768	497,214
Net change in non-cash working capital items (note 13)	(962,510)	(171,589)	-	(1,134,099)	(119,771)
Decrease (increase) in amounts transferred between funds	(1,000,000)	500,000	500,000	-	-
	744,869	1,913,800	500,000	3,158,669	377,443
Financing activities					
Payments on long-term debt	-	(50,894)	-	(50,894)	(118,008)
Increase in obligation under capital lease	-	45,000	-	45,000	-
Payments on obligation under capital lease	-	(7,566)	-	(7,566)	(12,654)
	-	(13,460)	-	(13,460)	(130,662)
Investing activities					
Purchase of capital assets	-	(1,719,494)	-	(1,719,494)	(251,615)
Costs of acquiring works of art	-	(40,620)	-	(40,620)	(69,385)
	-	(1,760,114)	-	(1,760,114)	(321,000)
Change in net cash	744,869	140,226	500,000	1,385,095	(74,219)
Net cash - Beginning of year	(216,470)	(2,732,301)	-	(2,948,771)	(2,874,552)
Net cash - End of year	528,399	(2,592,075)	500,000	(1,563,676)	(2,948,771)
Net cash consists of					
Cash	528,399	408	500,000	1,028,807	39,410
Bank advances	-	(2,592,483)	-	(2,592,483)	(2,988,181)
	528,399	(2,592,075)	500,000	(1,563,676)	(2,948,771)

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2021

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.

The Culture Development Fund was established to fund the development of new cultural programming at the Confederation Centre of the Arts. Revenues and expenses related to the creation and development of new programming are reported in the Culture Development Fund.

Cash/bank advances

Cash/bank advances 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.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2021

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.

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

Government assistance related to operating expenses is recorded as revenue of the operating fund as the related expenses are incurred. Government assistance for the purchase of capital assets is recorded as revenue of the capital fund.

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.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2021

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.

Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material unrecorded impact on the carrying value of assets and liabilities reported in these financial statements as at March 31, 2021. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Trust for future periods.

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 obligation under capital lease.

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 revenue (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 revenue (expenses).

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2021

(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.

3 Accounts receivable

	2021	2020
	\$	\$
Trade accounts receivable	442,782	321,404
HST receivable	324,520	68,109
	<u>767,302</u>	<u>389,513</u>

4 Capital assets

	<u>2021</u>		<u>2020</u>	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	260,576	-	260,576	260,576
Buildings	41,138,447	17,045,552	24,092,895	24,929,890
Equipment, including theatrical scenery	10,182,327	8,745,488	1,436,839	369,939
	<u>51,581,350</u>	<u>25,791,040</u>	<u>25,790,310</u>	<u>25,560,405</u>

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.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2021

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%.

7 Long-term debt

	2021	2020
	\$	\$
4.25% term loan, repaid during the year	-	50,894
Less: Current portion	-	50,894
	<u>-</u>	<u>-</u>

Interest of \$550 (2020 - \$4,925) on the term loan is included in administration expenses on the Statement of Operations and Changes in Net Assets.

8 Obligation under capital lease

	2021	2020
	\$	\$
Total minimum lease payments under a 11.69% capital lease	43,152	-
Less: Amount representing interest	5,718	-
	<u>37,434</u>	<u>-</u>
Less: Current portion	14,226	-
	<u>23,208</u>	<u>-</u>

Interest of \$2,850 (2020 - \$854) on the capital lease is included in administration expenses on the Statement of Operations and Changes in Net Assets.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2021

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

	\$
Year ending March 31, 2022	14,226
2023	15,981
2024	7,227

9 Donated materials and services

Donated materials and services included in public sector grants and fundraising revenue totaled \$43,382 for 2021 (2020 - \$145,124). The related expenses for donated materials and services included on the Statement of Operations and Changes in Net Assets are included in programming expenses.

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, 2021 (2020 - \$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 \$149,101 (2020 - \$204,595) 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, 2021 is \$57,315 (2020 - nil) to Confederation Centre of the Arts Foundation Inc.

During the year, \$50,000 (2020 - \$650,000) 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, 2021

13 Net change in non-cash working capital items

				2021	2020
	Operating Fund	Capital Fund	Culture Development Fund	Total	Total
	\$	\$	\$	\$	\$
Increase in accounts receivable	(209,347)	(168,444)	-	(377,791)	(134,450)
Increase in government contributions receivable	(992,754)	(288,982)	-	(1,281,736)	(169,090)
Decrease in inventories	93,342	-	-	93,342	31,396
Decrease (increase) in prepaid expenses	(59,695)	-	-	(59,695)	191,491
Increase in accounts payable and accrued liabilities	4,513	282,608	-	287,121	361,540
Increase (decrease) in deferred revenue	201,431	3,229	-	204,660	(400,658)
	(962,510)	(171,589)	-	(1,134,099)	(119,771)

14 Fund transfers

Effective February 19, 2021, the Board authorized the transfer of \$500,000 (2020 - nil) from the Operating Fund to the Cultural Development Fund.

Effective March 31, 2021, the Board authorized the transfer of \$500,000 (2020 - nil) from the Operating Fund to the Capital Fund.

Fathers of Confederation Buildings Trust

Schedule of Revenues, Expenses and Public Sector Grants

For the year ended March 31, 2021

Schedule 1

			2021	2020
	Revenues	Expenses	Net	Net
	\$	\$	\$	\$
Programming				
Performing Arts	28,782	1,477,058	(1,448,276)	(1,465,126)
Visual Arts	14,598	686,825	(672,227)	(631,045)
Arts education and heritage	141,342	443,005	(301,663)	(209,694)
Programming support	440	706,735	(706,295)	(1,203,141)
	185,162	3,313,623	(3,128,461)	(3,509,006)
Commercial				
Food and beverage	10,808	137,910	(127,102)	(48,944)
The Showcase	83,300	130,460	(47,160)	24,557
Theatre concessions	5,307	4,332	975	91,195
Facility rentals	230,100	66,980	163,120	224,923
	329,515	339,682	(10,167)	291,731
			2021	2020
	Operating Fund	Capital Fund	Total Revenue	Total Revenue
	\$	\$	\$	\$
Public Sector Grants				
Federal	7,275,890	1,499,584	8,775,474	4,279,382
Province of PEI	1,340,387	-	1,340,387	914,050
Province of Nova Scotia	-	-	-	10,000
City of Charlottetown	249,171	-	249,171	288,567
	8,865,448	1,499,584	10,365,032	5,491,999

Fathers of Confederation Buildings Trust

Schedule of Expenses by Type

For the year ended March 31, 2021

Schedule 2

	2021	2020
	\$	\$
Salaries and benefits (note 11)	4,399,625	6,157,649
Artistic fees	295,933	2,380,482
Amortization	1,489,589	1,193,697
Advertising and promotion	218,357	598,735
Cost of sales	90,102	550,310
Utilities	513,523	665,396
Property taxes	244,171	251,934
Maintenance and repairs	149,588	156,769
Financial charges	83,154	292,735
Staff development	18,859	117,128
Office expenses	37,099	54,988
Professional fees	357,690	284,056
Programming	169,206	540,762
Supplies	127,860	149,724
Miscellaneous	77,353	60,760
Insurance	226,837	196,622
Board expenses	4,189	59,215
Technology	220,640	144,810
	<u>8,723,775</u>	<u>13,855,772</u>