

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

Financial Statements  
**March 31, 2019**



Member of The AC Group of Independent Accounting Firms

July 19, 2019

## **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, 2019, 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, 2019, 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 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, 2019

			2019	2018
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Cash	-	408	408	835,906
Accounts receivable (note 3)	243,583	11,480	255,063	263,076
Government contributions receivable	241,503	-	241,503	452,610
Inventories	157,376	-	157,376	172,087
Prepaid expenses	284,495	-	284,495	429,863
	926,957	11,888	938,845	2,153,542
<b>Capital assets</b> (notes 4 and 8)	-	26,502,487	26,502,487	27,626,480
<b>Works of art</b> (note 5)	-	8,627,984	8,627,984	8,396,866
	926,957	35,142,359	36,069,316	38,176,888
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank advances (note 6)	34,496	2,840,464	2,874,960	2,809,739
Accounts payable and accrued liabilities (note 12)	442,130	161,046	603,176	816,041
Deferred revenue	1,025,089	-	1,025,089	910,987
Current portion of long-term debt	-	118,036	118,036	113,133
Current portion of obligation under capital lease	-	12,654	12,654	15,592
	1,501,715	3,132,200	4,633,915	4,665,492
<b>Long-term debt</b> , less current portion (note 7)	-	50,866	50,866	168,884
<b>Obligation under capital lease</b> , less current portion (note 8)	-	-	-	12,654
	1,501,715	3,183,066	4,684,781	4,847,030
<b>Contingency</b> (note 10)				
<b>Net Assets (Liabilities)</b>				
<b>Invested in capital assets</b>	-	31,959,293	31,959,293	32,829,858
<b>Unrestricted</b>	(574,758)	-	(574,758)	500,000
	(574,758)	31,959,293	31,384,535	33,329,858
	926,957	35,142,359	36,069,316	38,176,888

Approved by the Board of Directors

  
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Director

  
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Director

# Fathers of Confederation Buildings Trust

## Statement of Operations and Changes in Net Assets

For the year ended March 31, 2019

			2019	2018
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
<b>Revenue</b>				
Programming (Schedule 1)	4,357,593	-	4,357,593	5,571,448
Commercial (Schedule 1)	2,106,896	13,500	2,120,396	2,277,796
Fundraising and development (note 9)	628,992	499,973	1,128,965	1,137,894
Confederation Centre of the Arts Foundation (note 12)	400,000	-	400,000	1,110,000
Investments and other revenue	87,126	-	87,126	122,615
	7,580,607	513,473	8,094,080	10,219,753
Public sector grants (Schedule 1)	4,609,438	29,500	4,638,938	5,547,007
	12,190,045	542,973	12,733,018	15,766,760
<b>Expenses (Schedule 2)</b>				
Programming (Schedule 1) (note 9)	7,821,306	-	7,821,306	9,204,015
Commercial (Schedule 1)	1,710,824	-	1,710,824	2,040,570
Fundraising and development (note 12)	236,685	-	236,685	247,719
Building operations	2,293,432	1,416,459	3,709,891	3,693,638
Administration (notes 7 and 8)	1,202,556	(2,921)	1,199,635	1,298,073
	13,264,803	1,413,538	14,678,341	16,484,015
<b>Excess expenses for the year</b>	(1,074,758)	(870,565)	(1,945,323)	(717,255)
<b>Net assets - Beginning of year</b>	500,000	32,829,858	33,329,858	34,047,113
<b>Net assets (liabilities) - End of year</b>	(574,758)	31,959,293	31,384,535	33,329,858

# Fathers of Confederation Buildings Trust

## Statement of Cash Flows

For the year ended March 31, 2019

			2019	2018
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Excess expenses for the year	(1,074,758)	(870,565)	(1,945,323)	(717,255)
Items not affecting cash				
Amortization	-	1,416,459	1,416,459	1,476,673
Donations of works of art	-	(210,238)	(210,238)	(61,250)
	(1,074,758)	335,656	(739,102)	698,168
Net change in non-cash working capital items (note 13)	204,764	75,671	280,435	(1,309,486)
	(869,994)	411,327	(458,667)	(611,318)
<b>Financing activities</b>				
Payments on long-term debt	-	(113,115)	(113,115)	(108,415)
Payments on obligation under capital lease	-	(15,592)	(15,592)	(15,592)
	-	(128,707)	(128,707)	(124,007)
<b>Investing activities</b>				
Purchase of capital assets	-	(292,465)	(292,465)	(171,396)
Costs for acquiring works of art	-	(20,880)	(20,880)	(86,497)
	-	(313,345)	(313,345)	(257,893)
<b>Change in net cash</b>	(869,994)	(30,725)	(900,719)	(993,218)
<b>Net cash - Beginning of year</b>	835,498	(2,809,331)	(1,973,833)	(980,615)
<b>Net cash - End of year</b>	(34,496)	(2,840,056)	(2,874,552)	(1,973,833)
<b>Net cash consists of</b>				
Cash	-	408	408	835,906
Bank advances	(34,496)	(2,840,464)	(2,874,960)	(2,809,739)
	(34,496)	(2,840,056)	(2,874,552)	(1,973,833)

# Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2019

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## 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:

### Restricted fund method

The Trust follows the restricted fund method of accounting for contributions.

### 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.

# Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2019

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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.

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, 2019

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## 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, long-term debt 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 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, 2019

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## 3 Accounts receivable

	2019	2018
	\$	\$
Trade accounts receivable	226,875	184,112
HST receivable	28,188	78,964
	<u>255,063</u>	<u>263,076</u>

## 4 Capital assets

			2019	2018
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	260,576	-	260,576	260,576
Buildings	40,946,981	14,993,416	25,953,565	26,977,240
Equipment, including theatrical scenery	8,325,061	8,036,715	288,346	373,139
Equipment under capital lease	77,622	77,622	-	15,525
	<u>49,610,240</u>	<u>23,107,753</u>	<u>26,502,487</u>	<u>27,626,480</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.

## 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, 2019

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## 7 Long-term debt

	2019	2018
	\$	\$
4.25% term loan, due August 2020, repayable with monthly principal and interest payments of \$10,244	168,902	282,017
Less: Current portion	<u>118,036</u>	<u>113,133</u>
	<u>50,866</u>	<u>168,884</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 each of the next two years to meet retirement provisions is as follows:

	\$
Year ending March 31, 2020	118,036
2021	50,866

Interest of \$9,792 (2018 - \$14,518) on the loans is included in administration expenses on the Statement of Operations and Changes in Net Assets.

## 8 Obligation under capital lease

	2019	2018
	\$	\$
Total minimum lease payments under a 7.5% capital lease expiring February 2020, payable in monthly instalments of \$1,391	13,910	30,210
Less: Amount representing interest	<u>1,256</u>	<u>1,964</u>
	12,654	28,246
Less: Current portion	<u>12,654</u>	<u>15,592</u>
	<u>-</u>	<u>12,654</u>

Certain equipment with a net book value of nil (2018 - \$15,525) is pledged as security for the capital lease.

Interest of \$1,051 (2018 - \$1,025) on the 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, 2019

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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, 2020	12,654

## 9 Donated materials and services

Donated materials and services included in fundraising revenue totaled \$251,034 for 2019 (2018 - \$412,567). 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, 2019 (2018 - \$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 \$206,472 (2018 - \$209,716) 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, 2019 is \$10,750 (2018 - nil) to Confederation Centre of the Arts Foundation Inc.

During the year, \$400,000 (2018 - \$1,110,000) in donations were received by the Trust from Confederation Centre of the Arts Foundation Inc. The donations are included in fundraising and development revenue.

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

- a) two of the total of five 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, 2019

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## 13 Net change in non-cash working capital items

			2019	2018
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Decrease in accounts receivable	1,378	6,634	8,012	167,865
Decrease in government contributions receivable	211,107	-	211,107	69,966
Decrease (increase) in inventories	14,711	-	14,711	(22,248)
Decrease (increase) in prepaid expenses	145,368	-	145,368	(108,825)
Increase (decrease) in accounts payable and accrued liabilities	(281,902)	69,037	(212,865)	(1,028,273)
Increase (decrease) in deferred revenue	114,102	-	114,102	(387,971)
	204,764	75,671	280,435	(1,309,486)

## 14 Fund transfer

Effective March 31, 2019, the Board authorized the transfer of nil (2018 - \$624,345) from the operating fund to the capital fund.

## 15 Comparative figures

Certain comparative figures presented for the 2018 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

# Fathers of Confederation Buildings Trust

Schedule of Revenues, Expenses and Public Sector Grants

For the year ended March 31, 2019

Schedule 1

			2019	2018
	Revenues	Expenses	Net	Net
	\$	\$	\$	\$
<b>Programming</b>				
Performing Arts	3,564,360	4,813,606	(1,249,246)	(1,390,320)
Visual Arts	42,036	637,948	(595,912)	(612,739)
Arts education and heritage	460,221	714,652	(254,431)	(228,019)
Programming support	290,976	1,655,100	(1,364,124)	(1,401,489)
	<u>4,357,593</u>	<u>7,821,306</u>	<u>(3,463,713)</u>	<u>(3,632,567)</u>
<b>Commercial</b>				
Food and beverage	1,258,165	1,187,963	70,202	(105,031)
The Showcase	369,779	320,674	49,105	55,480
Theatre concessions	140,729	64,389	76,340	79,172
Facility rentals	351,723	137,798	213,925	207,605
	<u>2,120,396</u>	<u>1,710,824</u>	<u>409,572</u>	<u>237,226</u>
			2019	2018
	Operating Fund	Capital Fund	Total Revenue	Total Revenue
	\$	\$	\$	\$
<b>Public Sector Grants</b>				
Federal	3,445,395	29,500	3,474,895	4,307,511
Province of PEI	914,999	-	914,999	951,959
Province of New Brunswick	-	-	-	(7,500)
Province of Nova Scotia	10,000	-	10,000	10,000
Province of Ontario	-	-	-	50,000
City of Charlottetown	239,044	-	239,044	235,037
	<u>4,609,438</u>	<u>29,500</u>	<u>4,638,938</u>	<u>5,547,007</u>

# Fathers of Confederation Buildings Trust

Schedule of Expenses by Type

For the year ended March 31, 2019

Schedule 2

	2019	2018
	\$	\$
Salaries and benefits (note 11)	6,306,465	6,773,335
Artistic fees	2,457,472	2,540,064
Amortization	1,416,459	1,476,673
Advertising	670,162	929,637
Cost of sales	696,855	811,632
Utilities	725,589	666,058
Property taxes	239,044	243,481
Maintenance and repairs	164,563	243,806
Promotion	101,338	223,152
Financial charges	303,248	304,452
Staff travel	48,802	299,375
Office expenses	60,721	65,244
Professional fees	271,384	281,839
Programming	571,138	742,146
Supplies	143,923	165,207
Miscellaneous	82,521	360,693
Telecommunications	66,780	65,859
Insurance	160,223	110,504
Education and training	28,635	38,811
Board expenses	71,650	58,278
Technology	91,369	83,769
	<u>14,678,341</u>	<u>16,484,015</u>