

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

Financial Statements
March 31, 2024



July 19, 2024

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, 2024, 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, 2024, 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, 2024

				2024	2023
	Operating Fund	Capital Fund	Culture Development Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash (note 7)	527,237	1,661	433,914	962,812	2,310,223
Restricted cash (note 3)	-	6,000,000	-	6,000,000	-
Accounts receivable (note 4)	96,117	383,791	-	479,908	497,001
Government contributions receivable	1,575,753	2,274,067	-	3,849,820	681,790
Inventories	30,209	-	-	30,209	41,671
Prepaid expenses	222,888	65,000	-	287,888	347,817
	2,452,204	8,724,519	433,914	11,610,637	3,878,502
Capital assets (note 5)	-	26,669,659	-	26,669,659	25,461,952
Works of art (note 6)	-	9,792,363	-	9,792,363	9,699,209
	2,452,204	45,186,541	433,914	48,072,659	39,039,663
Liabilities					
Current liabilities					
Bank advances (note 7)	-	1,946,953	-	1,946,953	807,981
Accounts payable and accrued liabilities (note 11)	456,429	2,685,945	-	3,142,374	1,420,485
Deferred revenue	1,380,276	-	-	1,380,276	1,163,015
Current portion of obligation under capital lease	-	-	-	-	7,227
	1,836,705	4,632,898	-	6,469,603	3,398,708
Contingency (note 9)					
Net Assets					
Invested in capital assets	-	40,553,643	-	40,553,643	33,926,841
Internally restricted	-	-	433,914	433,914	858,877
Unrestricted	615,499	-	-	615,499	855,237
	615,499	40,553,643	433,914	41,603,056	35,640,955
	2,452,204	45,186,541	433,914	48,072,659	39,039,663

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, 2024

	2024			2023	
	Operating Fund \$	Capital Fund \$	Culture Development Fund \$	Total \$	Total \$
Revenue					
Programming (Schedule 1)	2,999,067	-	33,650	3,032,717	6,120,069
Commercial (Schedule 1)	940,268	-	-	940,268	1,085,438
Fundraising and development	667,224	416,742	-	1,083,966	1,728,154
Confederation Centre of the Arts Foundation (note 11)	480,000	60,000	-	540,000	500,000
Investments and other revenue	26,642	-	-	26,642	72,720
	5,113,201	476,742	33,650	5,623,593	9,506,381
Public sector grants (Schedule 1)	6,533,806	8,576,000	-	15,109,806	7,387,809
	11,647,007	9,052,742	33,650	20,733,399	16,894,190
Expenses (Schedule 2)					
Programming (Schedule 1)	6,669,476	-	458,613	7,128,089	8,785,823
Commercial (Schedule 1)	671,620	-	-	671,620	726,904
Fundraising and development	315,401	654,110	-	969,511	432,552
Building operations	2,885,855	1,751,160	-	4,637,015	4,456,220
Administration (note 8)	1,344,393	20,670	-	1,365,063	1,429,393
	11,886,745	2,425,940	458,613	14,771,298	15,830,892
Excess revenue (expenses) for the year	(239,738)	6,626,802	(424,963)	5,962,101	1,063,298
Net assets - Beginning of year	855,237	33,926,841	858,877	35,640,955	34,577,657
Net assets - End of year	615,499	40,553,643	433,914	41,603,056	35,640,955

Fathers of Confederation Buildings Trust

Statement of Cash Flows

For the year ended March 31, 2024

				2024	2023
	Operating Fund	Capital Fund	Culture Development Fund	Total	Total
	\$	\$	\$	\$	\$
Cash provided by (used in)					
Operating activities					
Excess revenue (expenses) for the year	(239,738)	6,626,802	(424,963)	5,962,101	1,063,298
Items not affecting cash					
Amortization	-	1,684,640	-	1,684,640	1,636,562
Donations of works of art	-	(29,450)	-	(29,450)	(459,100)
	(239,738)	8,281,992	(424,963)	7,617,291	2,240,760
Net change in non-cash working capital items (note 13)	(682,710)	(457,688)	-	(1,140,398)	(243,342)
	(922,448)	7,824,304	(424,963)	6,476,893	1,997,418
Financing activity					
Payments on obligation under capital lease	-	(7,227)	-	(7,227)	(15,981)
Investing activities					
Purchase of capital assets	-	(2,892,346)	-	(2,892,346)	(1,946,428)
Proceeds on sale of capital assets	-	-	-	-	609
Costs of acquiring works of art	-	(63,703)	-	(63,703)	(30,964)
	-	(2,956,049)	-	(2,956,049)	(1,976,783)
Change in net cash	(922,448)	4,861,028	(424,963)	3,513,617	4,654
Net cash - Beginning of year	1,449,685	(806,320)	858,877	1,502,242	1,497,588
Net cash - End of year	527,237	4,054,708	433,914	5,015,859	1,502,242
Net cash consists of					
Cash	527,237	1,661	433,914	962,812	2,310,223
Restricted cash	-	6,000,000	-	6,000,000	-
Bank advances	-	(1,946,953)	-	(1,946,953)	(807,981)
	527,237	4,054,708	433,914	5,015,859	1,502,242

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2024

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

Cash consists of cash on hand and bank balances.

Restricted cash

Restricted cash is held in a separate account to fund eligible expenditures of Capital Fund projects as described in note 3.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2024

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.

Construction in progress includes expenditures of a capital project expected to be available for use in a future period. Construction in progress is not amortized until the related capital assets become available for use.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is in excess of the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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.

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.

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.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2024

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.

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.

Financial instruments

(a) Measurement of financial instruments

Fathers of Confederation Buildings Trust's financial instruments consist of cash, restricted 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, 2024

(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 Restricted cash

Restricted cash of \$6,000,000 represents capital funding received and held in trust for Fathers of Confederation Buildings Trust. Cash will be available when eligible capital expenditures are incurred.

4 Accounts receivable

	2024	2023
	\$	\$
Trade accounts receivable	40,270	297,639
HST receivable	439,638	199,362
	<u>479,908</u>	<u>497,001</u>

5 Capital assets

			2024	2023
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	260,576	-	260,576	260,576
Buildings	44,224,174	20,271,311	23,952,863	23,863,371
Equipment, including theatrical scenery	11,293,643	10,316,003	977,640	1,338,005
Construction in progress	1,478,580	-	1,478,580	-
	<u>57,256,973</u>	<u>30,587,314</u>	<u>26,669,659</u>	<u>25,461,952</u>

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2024

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.

6 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.

7 Cash and bank advances

Cash in the Trust's bank account is recorded in the following funds:

	2024	2023
	\$	\$
Cash - Operating Fund	527,237	1,449,685
- Capital Fund	1,661	1,661
- Culture Development Fund	433,914	858,877
Bank advances - Capital Fund	<u>(1,946,953)</u>	<u>(807,981)</u>
Trust's bank account	<u>(984,141)</u>	<u>1,502,242</u>

Bank advances, up to a maximum of \$3,500,000, are unsecured and bear an interest rate of prime + 0% when the Trust's bank account is negative in total. The prime rate at March 31, 2024 is 7.20% (2023 - 6.70%).

8 Obligation under capital lease

	2024	2023
	\$	\$
Total minimum lease payments under a 11.69% capital lease	-	7,440
Less: Amount representing interest	<u>-</u>	<u>213</u>
	-	7,227
Less: Current portion	<u>-</u>	<u>7,227</u>
	<u>-</u>	<u>-</u>

Interest of \$213 (2023 - \$1,875) 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, 2024

9 Contingency

As required by a contractual agreement, the Trust has a letter of guarantee in the amount of \$193,607 as at March 31, 2024 (2023 - \$193,607) in favour of the Canadian Actors' Equity Association.

10 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 \$193,715 (2023 - \$172,108) in contributions to the plan. This expense is included with salaries and benefits on Schedule 2.

11 Related party transactions

Included in accounts receivable at March 31, 2024 is nil (2023 - \$32,244) from Confederation Centre of the Arts Foundation Inc.

Included in accounts payable and accrued liabilities at March 31, 2024 is \$2,993 (2023 - \$3,421) to Confederation Centre of the Arts Foundation Inc.

During the year, \$540,000 (2023 - \$500,000) 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.

12 Commitments

On February 15, 2024 the Trust entered into a lease agreement for temporary office space rental. The lease commences June 1, 2024 and expires on October 31, 2026. Lease payments over the next three fiscal years are as follows:

Year ending March 31, 2025	122,960
2026	147,552
2027	86,072

During the year, the Trust entered into various construction contracts in relation to building upgrades and renovations. At March 31, 2024, committed capital construction contracts totaled \$4,860,353 with \$3,219,222 yet to be disbursed.

Fathers of Confederation Buildings Trust

Notes to Financial Statements

March 31, 2024

13 Net change in non-cash working capital items

				2024	2023
	Operating Fund	Capital Fund	Culture Development Fund	Total	Total
	\$	\$	\$	\$	\$
Decrease (increase) in accounts receivable	243,385	(226,294)	-	17,091	(125,325)
Decrease (increase) in government contributions receivable	(1,199,275)	(1,968,755)	-	(3,168,030)	642,994
Decrease (increase) in inventories	11,461	-	-	11,461	(5,850)
Decrease (increase) in prepaid expenses	124,929	(65,000)	-	59,929	(103,990)
Increase (decrease) in accounts payable and accrued liabilities	(80,472)	1,802,361	-	1,721,889	62,593
Increase (decrease) in deferred revenue	217,262	-	-	217,262	(713,764)
	(682,710)	(457,688)	-	(1,140,398)	(243,342)

Fathers of Confederation Buildings Trust

Schedule of Revenues, Expenses and Public Sector Grants

For the year ended March 31, 2024

Schedule 1

			2024	2023
	Revenues	Expenses	Net	Net
	\$	\$	\$	\$
Programming - Operating Fund				
Performing Arts	2,253,537	3,647,931	(1,394,394)	(197,035)
Visual Arts	72,919	810,034	(737,115)	(837,610)
Arts education and heritage	356,981	722,254	(365,273)	(272,098)
Programming support	315,630	1,489,257	(1,173,627)	(1,305,097)
	<u>2,999,067</u>	<u>6,669,476</u>	<u>(3,670,409)</u>	<u>(2,611,840)</u>
Programming - Culture Development Fund				
Performing Arts	-	414,150	(414,150)	(50,786)
Visual Arts	-	4,020	(4,020)	(3,128)
Arts Education and Heritage	33,650	40,443	(6,793)	-
	<u>33,650</u>	<u>458,613</u>	<u>(424,963)</u>	<u>(53,914)</u>
Commercial				
Food and beverage	499,324	437,821	61,503	77,157
Theatre concessions	223,008	96,234	126,774	178,459
Facility rentals	217,936	137,565	80,371	102,917
	<u>940,268</u>	<u>671,620</u>	<u>268,648</u>	<u>358,533</u>
			2024	2023
	Operating Fund	Capital Fund	Culture Development Fund	Total
	\$	\$	\$	\$
Public Sector Grants				
Federal	3,843,238	2,376,000	-	6,219,238
Province of PEI	2,354,817	6,000,000	-	8,354,817
Province of Nova Scotia	10,000	-	-	10,000
City of Charlottetown	325,751	200,000	-	525,751
	<u>6,533,806</u>	<u>8,576,000</u>	<u>-</u>	<u>15,109,806</u>
				<u>7,387,809</u>

Fathers of Confederation Buildings Trust

Schedule of Expenses by Type

For the year ended March 31, 2024

Schedule 2

	2024	2023
	\$	\$
Salaries and benefits (note 10)	6,391,282	6,563,761
Artistic fees	1,633,971	2,672,806
Amortization	1,684,640	1,636,562
Advertising and promotion	1,066,997	587,007
Cost of sales	215,375	237,727
Utilities	702,848	735,361
Property taxes	275,751	257,507
Maintenance and repairs	545,058	544,119
Financial charges	181,381	208,436
Staff development	115,058	129,380
Office expenses	71,021	68,748
Professional fees	340,252	358,149
Programming	801,760	1,026,719
Supplies	62,905	98,267
Miscellaneous	89,471	131,576
Insurance	281,388	237,268
Board expenses	53,393	66,481
Technology	258,747	271,018
	<u>14,771,298</u>	<u>15,830,892</u>