

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Financial Statements

Year Ended December 31, 2019

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Index to Financial Statements

Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of Sunbury Shores Arts and Nature Centre, Inc.

Qualified Opinion

We have audited the financial statements of Sunbury Shores Arts and Nature Centre, Inc. (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, 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.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess (deficiency) of revenue over expenses, current assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with 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 qualified audit opinion.

Other Matter

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements for the reasons described in the *Basis for Qualified Opinion* section.

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 ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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Auditors' 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 auditors' 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 the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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.

Saint John, New Brunswick
November 3, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Statement of Financial Position

December 31, 2019

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | | <i>(Revised)</i> |
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 29,663 | \$ 26,448 |
| Harmonized sales tax recoverable | 2,497 | 3,226 |
| Prepaid expenses | - | 555 |
| | 32,160 | 30,229 |
| CAPITAL ASSETS (Note 4) | 562,388 | 593,702 |
| RESTRICTED ENDOWMENT CASH (Note 7) | 92,592 | 129,691 |
| RESTRICTED ENDOWMENT INVESTMENTS (Note 7) | 385,076 | 347,977 |
| | \$ 1,072,216 | \$ 1,101,599 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable | \$ 14,945 | \$ 10,678 |
| Employee deductions payable | 2,641 | 4,041 |
| Deferred revenue (Note 5) | 39,679 | 76,683 |
| | 57,265 | 91,402 |
| DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 6) | 538,454 | 566,525 |
| | 595,719 | 657,927 |
| NET ASSETS | | |
| UNRESTRICTED NET ASSETS | (25,105) | (61,173) |
| INVESTED IN CAPITAL ASSETS | 23,934 | 27,177 |
| ENDOWMENT NET ASSETS (Note 7) | 477,668 | 477,668 |
| | 476,497 | 443,672 |
| | \$ 1,072,216 | \$ 1,101,599 |

ON BEHALF OF THE BOARD

Susan Dewar

Director

Catherine Hamilton

Director

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Statement of Operations

Year Ended December 31, 2019

| | 2019 | 2018 |
|--|------------|------------|
| REVENUE | | |
| Donations | \$ 132,696 | \$ 117,875 |
| Grants and other contributions <i>(Note 8)</i> | 63,686 | 79,371 |
| Course fees | 57,382 | 50,562 |
| Special events and fundraising, net | 23,037 | 20,955 |
| Other revenue | 15,193 | 13,817 |
| Exhibition and gallery shop sales | 14,639 | 28,314 |
| Investment income and realized gain | 14,297 | 15,403 |
| Amortization of deferred contributions related to capital assets | 28,071 | 29,449 |
| | 349,001 | 355,746 |
| EXPENSES | | |
| Salaries and wages | 138,639 | 118,941 |
| Instructor fees | 61,583 | 63,196 |
| Centennial House <i>(Note 9)</i> | 25,666 | 22,589 |
| Office and administration | 17,855 | 13,871 |
| Gallery and exhibition expenses | 14,545 | 9,935 |
| Course expenses | 12,594 | 8,628 |
| Professional fees | 12,261 | 14,554 |
| Advertising and promotion | 10,192 | 13,047 |
| Art supply and studio expenses | 9,626 | 12,367 |
| Investment management fees | 6,837 | 6,901 |
| Bank charges and merchant fees | 4,703 | 6,840 |
| Amortization of capital assets | 31,314 | 33,325 |
| | 345,815 | 324,194 |
| EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS | 3,186 | 31,552 |
| UNREALIZED GAIN (LOSS) ON INVESTMENTS | 29,639 | (24,134) |
| EXCESS OF REVENUE OVER EXPENSES | \$ 32,825 | \$ 7,418 |

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Statement of Changes in Net Assets

Year Ended December 31, 2019

| | Unrestricted Net Assets | Invested in Capital Assets | Endowment Net Assets | 2019 | 2018 <i>(Revised)</i> |
|---|----------------------------|-------------------------------|-------------------------|-------------------|--------------------------|
| NET ASSETS - | | | | | |
| BEGINNING OF | | | | | |
| YEAR | | | | | |
| As previously reported | \$ (88,403) | \$ 27,177 | \$ 504,898 | \$ 443,672 | \$ 436,254 |
| Prior period adjustment <i>(Note 10)</i> | 27,230 | - | (27,230) | - | - |
| As restated | (61,173) | 27,177 | 477,668 | 443,672 | 436,254 |
| Excess (deficiency) of revenue over expenses | 36,068 | (3,243) | - | 32,825 | 7,418 |
| NET ASSETS - END OF | | | | | |
| YEAR | \$ (25,105) | \$ 23,934 | \$ 477,668 | \$ 476,497 | \$ 443,672 |

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Statement of Cash Flows
Year Ended December 31, 2019

| | 2019 | 2018 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 32,825 | \$ 7,418 |
| Items not affecting cash: | | |
| Amortization of deferred contributions related to capital assets | (28,071) | (29,449) |
| Amortization of capital assets | 31,314 | 33,325 |
| Unrealized loss (gain) on investments | (29,639) | 24,134 |
| | <u>6,429</u> | <u>35,428</u> |
| Changes in non-cash working capital: | | |
| Harmonized sales tax recoverable | 729 | 1,325 |
| Prepaid expenses | 555 | (555) |
| Accounts payable | 4,267 | (2,138) |
| Employee deductions payable | (1,400) | 4,041 |
| Deferred revenue | (37,004) | 7,648 |
| | <u>(32,853)</u> | <u>10,321</u> |
| Cash provided by (used in) operating activities | <u>(26,424)</u> | <u>45,749</u> |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | - | (1,139) |
| Increase in investments | (7,460) | (16,632) |
| Cash used in investing activities | <u>(7,460)</u> | <u>(17,771)</u> |
| FINANCING ACTIVITIES | | |
| Endowment contributions received | - | 11,500 |
| Repayment of long term debt | - | (10,000) |
| Contributions received for the purchase of capital assets | - | 14,630 |
| Cash provided by financing activities | <u>-</u> | <u>16,130</u> |
| INCREASE (DECREASE) IN CASH | (33,884) | 44,108 |
| CASH - BEGINNING OF YEAR | 156,139 | 112,031 |
| CASH - END OF YEAR | \$ 122,255 | \$ 156,139 |
| CASH CONSISTS OF: | | |
| Cash | \$ 29,663 | \$ 26,448 |
| Restricted endowment cash | 92,592 | 129,691 |
| | <u>\$ 122,255</u> | <u>\$ 156,139</u> |

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Notes to Financial Statements

Year Ended December 31, 2019

1. NATURE OF OPERATIONS

Sunbury Shores Arts and Nature Centre, Inc. (the "Organization") is a charitable organization in the province of New Brunswick, providing services for the development and promotion of the study, practice and appreciation of fine art, craft, natural history and conservation. The Organization is a registered charity under the Income Tax Act and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and Cash Equivalents

The Organization considers cash on hand, short term deposits and balances with banks, net of overdrafts as cash or cash equivalents.

Capital Assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

| | |
|-------------------------|---------|
| Building | 5%, 10% |
| Computer equipment | 55% |
| Furniture and equipment | 20% |

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Investments

Fair values of investments are determined using year end quoted market prices.

The Organization's investments are part of a pooled portfolio managed by the Fundy Community Foundation, consisting of Canadian, U.S. and international equities, fixed income securities and cash.

Net Assets

- Net assets invested in capital assets represents the Organization's net investment in capital assets which is comprised of the unamortized amount of capital assets purchased net of deferred contributions related to capital assets.
- Endowment net assets are funds which are subject to externally imposed restrictions stipulating that the capital be maintained permanently. Certain endowment contributions are available for encroachment on approval of the Board of Directors.
- Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

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SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

Sunbury Shores Arts and Nature Centre, Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related activities are performed and expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Investment income is recognized as revenue when earned.

Revenue from course fees and commissions from sales of artwork are recognized when the courses are held or the artwork is sold and collection is reasonably assured.

Other revenue is recognized on an accrual basis.

Contributed Materials and Services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements. The Organization receives materials from donors. When a value is readily available, the Organization records it as an in-kind contribution at the fair value at the date of the contribution.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in excess (deficiency) of revenue over expenses. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Examples of significant estimates include:

- the recoverability of tangible assets;
- providing for amortization of capital assets;
- the estimated useful lives of assets; and
- the recoverability of investments.

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Notes to Financial Statements

Year Ended December 31, 2019

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from customers. The majority of the Organization's revenue is collected prior to or at the time of sale which minimizes credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, and accounts payable and other obligations.

Currency Risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is exposed to foreign currency exchange risk on its investment portfolio invested in foreign securities.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its fixed income component of its investment portfolio.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investment in quoted shares in its investment portfolio.

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|-------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 11,604 | \$ - | \$ 11,604 | \$ 11,604 |
| Building | 809,109 | 266,114 | 542,995 | 572,137 |
| Computer equipment | 1,138 | 908 | 230 | 512 |
| Furniture and equipment | 93,680 | 86,121 | 7,559 | 9,449 |
| | <u>\$ 915,531</u> | <u>\$ 353,143</u> | <u>\$ 562,388</u> | <u>\$ 593,702</u> |

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Notes to Financial Statements

Year Ended December 31, 2019

5. DEFERRED REVENUE

| | 2019 | 2018 |
|----------------------|-----------|-----------|
| Donations and grants | \$ 36,580 | \$ 71,534 |
| Bursaries | 2,130 | 3,000 |
| Account prepayments | 839 | 649 |
| Gift certificates | 130 | - |
| Courses | - | 1,500 |
| | \$ 39,679 | \$ 76,683 |

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

| | 2019 | 2018 |
|--|------------|------------|
| Balance at beginning of the year | \$ 566,525 | \$ 581,344 |
| Contributions received | - | 14,630 |
| Amortization of deferred contributions related to capital assets | (28,071) | (29,449) |
| Balances at end of the year | \$ 538,454 | \$ 566,525 |

7. ENDOWMENT NET ASSETS

Funds are subject to restrictions requiring the capital balances to be held in perpetuity. Capital of the Endowment Fund above \$100,000 is available for encroachment upon approval of the Board of Directors.

| | 2018 | Contributions | Transfers | 2019 |
|-------------------------------|------------|---------------|-----------|------------|
| Endowment Fund | \$ 275,917 | \$ - | \$ - | \$ 275,917 |
| Centennial House Trust Fund | 171,793 | - | - | 171,793 |
| Thea Hope Bursary Fund | 22,958 | - | - | 22,958 |
| Clark Family Scholarship Fund | 7,000 | - | - | 7,000 |
| | \$ 477,668 | \$ - | \$ - | \$ 477,668 |

8. GRANTS AND OTHER CONTRIBUTIONS

| | 2019 | 2018 |
|-----------------------------|-----------|-----------|
| Province of New Brunswick | \$ 45,592 | \$ 53,245 |
| Government of Canada (ESDC) | 3,467 | 12,612 |
| Government of Canada (ACOA) | - | 3,264 |
| Other | 14,627 | 10,250 |
| | \$ 63,686 | \$ 79,371 |

SUNBURY SHORES ARTS AND NATURE CENTRE, INC.

Notes to Financial Statements
Year Ended December 31, 2019

9. CENTENNIAL HOUSE

| | 2019 | 2018 |
|-------------------------|------------------|------------------|
| Utilities | \$ 10,114 | \$ 9,579 |
| Maintenance and repairs | 9,194 | 6,961 |
| Insurance | 6,358 | 6,049 |
| | <u>\$ 25,666</u> | <u>\$ 22,589</u> |

10. PRIOR PERIOD ADJUSTMENTS

During the year, it was determined that a transfer approved by the Board of Directors from the endowment net assets to unrestricted net assets in the 2017 year was not recorded. This error has been corrected and recorded as a prior period adjustment. As a result of this correction, the unrestricted net asset balance has increased by \$27,230 and the endowment net asset balance has decreased by \$27,230.

During the year, the Organization decided to discontinue using fund accounting to report the unrestricted investment income earned from endowment net assets and the related expenditures. The investment income and expenditures are reported in total unrestricted operations and net assets, instead of being reported in individual unrestricted funds. This change in accounting policy is recorded as a period period adjustment. This has resulted in a change in presentation and there was no underlying impact on total unrestricted net assets.

11. ENDOWMENT FUND

During the prior year, the Organization became the beneficiary of an Endowment Fund held and managed by the Fundy Community Foundation. The market value of the assets in the fund at December 31, 2019 was \$12,007 (2018 - \$10,850). No distributions were made during the year to the Organization.

12. SUBSEQUENT EVENTS

After year end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial assets and condition of the Organization in future periods.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.