

Consolidated Financial Statements of

**THE NEW BRUNSWICK MUSEUM**

Year ended March 31, 2012



**KPMG LLP**

**Chartered Accountants**

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## INDEPENDENT AUDITORS' REPORT

To the Directors of The New Brunswick Museum

We have audited the accompanying consolidated financial statements of The New Brunswick Museum, which comprise the consolidated financial position as at March 31, 2012, the consolidated statements of financial operations and changes in fund balances for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The New Brunswick Museum as at March 31, 2012, and its consolidated results of operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of chartered accountants.

Chartered Accountants

November 5, 2012

Saint John, Canada

# THE NEW BRUNSWICK MUSEUM

## Consolidated Statement of Financial Position

March 31, 2012, with comparative information for 2011

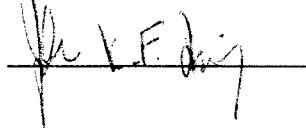
	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2012	2011
<b>Assets</b>						
Current assets:						
Cash	\$ 39,939	\$ -	\$ 5,053	\$ 6,539	\$ 51,531	\$ 161,927
Short-term investments (note 2)	-	-	13,090	195,133	208,223	428,087
Accounts receivable:						
Trade	48,361	-	6,178	10,209	64,748	62,663
Grants	5,400	-	136,320	-	141,720	144,244
Due from Province of New Brunswick	71,109	-	195,816	-	266,925	59,505
Prepaid expenses	44,832	-	12,032	-	56,864	82,683
Inventory	38,384	-	-	-	38,384	43,745
	248,025	-	368,489	211,881	828,395	982,854
Investments (note 2)	-	-	-	1,540,160	1,540,160	1,342,574
Property and equipment (note 3)	-	50,175	-	-	50,175	57,965
Collection and accessions	2	-	-	-	2	2
	\$ 248,027	\$ 50,175	\$ 368,489	\$ 1,752,041	\$ 2,418,732	\$ 2,383,395

## Liabilities and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities	\$ 133,326	\$ -	\$ 73,738	\$ -	\$ 207,064	\$ 217,306
Due to Province of New Brunswick	-	-	-	-	-	60,492
Interfund loans	93,590	-	(87,225)	(6,365)	-	-
	226,916	-	(13,487)	(6,365)	207,064	277,798
Fund Balances:						
Unrestricted	21,111	-	-	-	21,111	18,630
Internally restricted	-	-	69,166	45,580	114,746	85,866
Externally restricted	-	-	312,810	-	312,810	231,381
Endowments	-	-	-	1,515,270	1,515,270	1,501,718
Cumulative net unrealized gain on available for sale endowment assets	-	-	-	197,556	197,556	210,037
Property and equipment	-	50,175	-	-	50,175	57,965
	21,111	50,175	381,976	1,758,406	2,211,668	2,105,597
	\$ 248,027	\$ 50,175	\$ 368,489	\$ 1,752,041	\$ 2,418,732	\$ 2,383,395

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

# THE NEW BRUNSWICK MUSEUM

## Consolidated Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012, with comparative information for 2011

	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2012	2011
<b>Revenues:</b>						
Grants:						
Provincial	\$2,189,119	\$ -	\$ 486,721	\$ -	\$ 2,675,840	\$ 2,246,325
Federal	-	-	20,078	-	20,078	142,604
Interest income	2,105	-	46	58,370	60,521	59,269
Webster Foundation	-	-	-	37,245	37,245	41,800
Museum services (note 5)	153,893	-	20,942	-	174,835	166,447
Other grants	-	-	148,765	-	148,765	284,681
Bequests and donations	-	-	74,055	20,095	94,150	124,300
	2,345,117	-	750,607	115,710	3,211,434	3,065,426
<b>Expenditures:</b>						
Salaries and benefits	1,901,167	-	244,614	-	2,145,781	2,128,207
Materials, supplies and services	465,111	-	400,189	14,519	879,819	808,976
Amortization	-	31,243	-	-	31,243	42,291
Collections and accessions	15,898	-	12,327	-	28,225	54,739
Research grants	-	-	3,000	-	3,000	2,500
	2,382,176	31,243	660,130	14,519	3,088,068	3,036,713
Excess (deficiency) of revenues over expenditures	(37,059)	(31,243)	90,477	101,191	123,366	28,713
Gain (loss) on sales of investments	-	-	-	(4,814)	(4,814)	20,743
Net surplus (deficit)	(37,059)	(31,243)	90,477	96,377	118,552	49,456
Fund balance, beginning of year	18,630	57,965	298,460	1,730,542	2,105,597	2,011,910
	(18,429)	26,722	388,937	1,826,919	2,224,149	2,061,366
Interfund transfers	39,540	23,453	(6,961)	(56,032)	-	-
Unrealized gains and losses on available for sale financial assets arising during the year	-	-	-	(11,606)	(11,606)	62,893
Reclassification adjustment for gains included in Statement of Operations	-	-	-	(875)	(875)	(18,662)
Fund balance, end of year	\$ 21,111	\$ 50,175	\$ 381,976	\$ 1,758,406	\$ 2,211,668	\$ 2,105,597

See accompanying notes to consolidated financial statements.

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements

Year ended March 31, 2012

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The New Brunswick Museum (the "Museum") is incorporated under the laws of the Province of New Brunswick. As New Brunswick's provincial museum, it is the principal repository and steward of material that documents or represents the natural and human history of New Brunswick and other related regions. The New Brunswick Museum works in partnership with institutions and communities to collect, preserve, research and interpret material to foster a greater understanding and appreciation of New Brunswick provincially and globally.

The Museum is registered as a charitable organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act the Museum must meet certain requirements within the Act. In the opinion of management these requirements have been met.

## 1. Significant accounting policies:

### (a) Financial statement presentation:

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the Board of Directors (the "Board"), and/or with directives issued by various funding authorities, and/or by donors.

These consolidated financial statements include the accounts of The New Brunswick Museum and its subsidiary, The New Brunswick Museum Foundation, Inc.

For financial reporting purposes, the accounts have been classified into the following four groupings.

#### (i) General Fund:

This fund reflects the day-to-day operating transactions of the Museum.

#### (ii) Property and Equipment Fund:

This fund reports the property and equipment owned by the Museum. The Museum's premises are provided by the Province of New Brunswick.

Assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Computer equipment	33%
Equipment	20%
Furniture	10%

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# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (a) Financial statement presentation (continued):

#### (ii) Property and Equipment Fund (continued):

In the year of acquisition, amortization is calculated over the number of months the related asset is available for use.

#### (iii) Restricted Fund:

This fund includes amounts received by the Museum which are designated to be for certain restricted activities. Such restricted activities include the following:

*Grants* - Amounts received from various governments and private agencies to finance specific projects.

*Department of Canadian Heritage* - Amounts received from the Department of Canadian Heritage for specific projects that foster access by present and future generations of Canadians to their human, natural, artistic and scientific heritage.

*Bequests and donations* - Amounts received from sources which place specific restrictions on their use.

*Internally restricted funds* - Amounts restricted by the Board for exhibitions and gallery upgrades. This also includes funds received from activities of the staff in the curatorial departments to assist in financing specific project expenditures.

#### (iv) Endowment Fund:

This fund includes amounts held for the long-term benefit of the Museum, the income from which is to be used for various restricted purposes. The Endowment Fund includes the following individual funds whose stated purpose is as follows:

*General Donation Fund* - All undesignated donations are applied to this Fund upon receipt. Board Resolution may subsequently transfer these donations to the Legacy Collection or Named Donor Endowment Funds. Principal and income deriving from the Fund may be used for programs or collections of the Museum at the discretion of the Board.

*Legacy Endowment Fund* - Income from the Legacy Endowment Fund is used to fund programs of the Museum.

*Collection Endowment Fund* - Income from the Collections Fund is designated for the acquisition of artifacts for the Museum's collection.

#### Research Endowment Funds

*Matthew Research Fund* - Established by the New Brunswick Museum in 1987 to support geological research in New Brunswick by non-staff researchers. Research grants are reviewed and approved by Management upon recommendation of the Curator of Geology.

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (a) Financial statement presentation (continued):

#### (iv) Endowment Fund:

*Christie Research Fund* - Established by the New Brunswick Museum in 1987 to support research in natural science by non-staff researchers. Research grants are reviewed and approved by Management upon recommendation of the Curator of Zoology.

*Named Donor Endowment Funds* - These funds comprise individual trusts established to carry out the terms and conditions of certain bequests as required. Disbursements from these trusts are made in accordance with the terms set by the donor.

*Webster Fund* - Funds received from the Webster Foundation are applied toward certain humanities programs under the General Fund.

Interest income earned on these contributions is classified as externally restricted assets to be applied towards the programs described above. Amounts approved by the Board to be transferred to the General Funds in the following financial year to fund such projects are classified as internally restricted assets.

### (b) Financial instruments:

The following methods and assumptions are used in estimating the fair value for financial instruments:

In accordance with Section 3855, Financial Instruments – Recognition and Measurement, Financial instruments are classified into one of the following five categories; held-for-trading, held to maturity, loans and receivables, available for sale, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Museum when the financial instruments is initially recorded, based on the underlying purpose of the instrument.

The financial assets and financial liabilities of the Museum are classified and measure as follows:

<u>Financial asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivable	Amortized cost
Investments	Available for sale	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statements of financial operations in the period in which the gain or loss occurs. Changes in fair value of financial instruments classified as available for sale are recorded in the statements of changes in fund balances until realized, at which time they are recorded in the statement of financial operations.

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (c) Revenue recognition:

#### (i) General revenue:

Grants from the Province of New Brunswick and other government agencies are recognized when there is evidence that an arrangement exists, the services have been provided and collection is reasonably assured. Bequests and donations are recognized when received. Other revenue from sales and services is recognized when the transaction is completed and collection is reasonably assured.

#### (ii) Investment revenue:

Investment income comprises interest from fixed income investments dividends from equity investments and realized gains and losses on the sale of investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

### (d) Investments:

Investments consist of equities and fixed income investments with maturity dates greater than twelve months from the year end date. Fixed income investments maturing within twelve months from the year end date are classified as current. The investments are classified as available for sale and are recorded at fair value as it is not management's primary objective to generate trading profits from short term fluctuations in price or to hold investments to maturity. Transaction costs associated with the acquisition and disposal of investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees are expensed as incurred. The purchase and sale of investments are accounted for using trade-date accounting.

### (e) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. The cost of inventories comprised all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase comprise the purchase price, import duties and non-recoverable taxes directly attributable to the acquisition of inventory.



# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

## 1. Significant accounting policies (continued):

### (f) Collections and accessions:

Collections and accessions are recorded at a nominal value. Additions to the collections are expensed in the year of acquisition.

The collections of the Museum comprise a wide range of subject matter from the Humanities, Archives and Research, Library and Natural Science, which are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The humanities holdings include history and technology artifacts, fine and decorative arts. The Archives and Research library holds archival material, photographs, monographs including periodical titles. The Natural Science holdings include geological, palaeontological, botanical and zoological collections.

### (g) Contributed Services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (h) Management estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, provisions for doubtful accounts and inventory obsolescence and amortization. Actual results could differ from those estimates.

## 2. Investments:

	2012	2011
Short-term investments:		
Treasury bills and mutual funds	\$ 30,725	\$ 93,652
Bonds maturing within one year	177,498	334,435
	<u>\$ 208,223</u>	<u>\$ 428,087</u>
Long-term investments:		
Bonds	\$ 867,298	\$ 673,002
Equities	672,862	669,572
	<u>\$ 1,540,160</u>	<u>\$ 1,342,574</u>

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

### 3. Property and equipment:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 256,911	\$ 249,708	\$ 7,203	\$ 7,795
Equipment	397,026	360,618	36,408	40,202
Furniture	85,997	79,433	6,564	9,967
	<u>\$ 739,934</u>	<u>\$ 689,759</u>	<u>\$ 50,175</u>	<u>\$ 57,965</u>

### 4. General Funds Revenues and Expenditures - Detailed Comparison to Budget:

	2012	2012
	Actual	Budget
	\$	(unaudited)
	\$	\$
Revenues:		
Provincial grants	\$ 2,189,119	\$ 2,171,500
Museum services	153,893	199,450
Interest income	2,105	2,500
	<u>2,345,117</u>	<u>2,373,450</u>
Expenditures:		
Salaries and benefits	1,901,167	2,023,250
Operations	228,681	205,000
Marketing and development	81,715	70,000
Curatorial and library	75,124	60,000
Exhibition and technical services	70,222	37,500
Visitor services	16,240	17,500
Outreach	9,027	10,000
	<u>2,382,176</u>	<u>2,423,250</u>
Deficiency of revenues over expenditures	<u>\$ (37,059)</u>	<u>\$ (49,800)</u>

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

## 5. Museum services:

Museum services consist of the following revenue and expenditures:

	2012	2011
Revenues:		
Gift shop, programs and other	\$ 219,629	\$ 239,366
Admissions	102,378	101,021
Facility rentals	21,823	15,738
Membership	9,608	10,899
	<u>353,438</u>	<u>367,024</u>
Expenditures:		
Gift shop, programs and other	178,603	200,577
	<u>\$ 174,835</u>	<u>\$ 166,447</u>

## 6. Financial risks:

### (a) Credit risk:

The Museum is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. Specifically, the risk that bond issuers will default on the payment of interest or principal upon maturity, or that The Museum's accounts receivables will not be collected. Credit risk on bonds is largely mitigated by The Museum's investment policy which only allows high quality bonds to be purchased. Credit risk on accounts receivable is mitigated by the fact that 87% of accounts receivable are due from Canadian governments, governmental organizations, or related to the above mentioned bonds.

### (b) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Museum is the Canadian dollar. The Museum infrequently carries out transactions in U.S. dollars and does not use foreign exchange forward contracts. The investment portfolio of the Museum is held primarily in Canadian bonds and securities and is therefore exposed to minimal currency risk.

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

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## 6. Financial risks (continued):

### (c) Market risk:

The Museum is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices.

The Museum has an investment fund policy and the Endowment Fund investments are managed by a professional fund manager. The investment policy of the Museum is designed to ensure that the Museum's assets are invested in prudent manner. In order to optimise returns at an appropriate level of risk the policy provides guidelines to asset quality diversity and asset mix consisting of 0% to 10% cash and equivalent, 50% to 65% fixed income investments and 25% to 40% equities.

### (d) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The interest rate exposure of the Museum arises from its interest bearing assets. The Museum has no interest bearing liabilities.

The Museum manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. Investments in equity securities are not exposed to significant interest rate risk.

Investments mature at varying dates ranging from June 2012 to January 2017 and yield interest at varying rates ranging from 2.40% to 5.25%.

## 7. Capital disclosures:

For its own purposes, the Museum defines capital that it manages as the sum of its fund balances. The Museum is not subject to externally imposed requirements on its capital other than on its endowments and restricted funds that have been received for specific purposes. For the year ended March 31, 2012 the Museum has complied with these restrictions. The Museum's objectives when managing capital are to match generally the structure of its capital to the underlying nature and term of the assets being financed and to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events, in order to maintain stability in the financial structure. The Museum seeks to minimize the exposure to financial leverage and variable rate financial obligations and to maintain sufficient liquidity to enable it to meet its obligations as they become due. The Museum holds short term marketable securities to ensure sufficient liquidity. The associated assets are invested under a prudent investment policy designed to ensure a market related long term return on investments.

# THE NEW BRUNSWICK MUSEUM

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2012

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## **8. Future accounting changes:**

The Accounting Standards Board has proposed that not for profit organizations select from one of two available sets of accounting standards and applies that set for annual financial statements relating to fiscal years beginning on or after January 1, 2012. The Museum is currently evaluating the implications of the adoption of these new standards.