



Consolidated Financial Statements of

**THE NEW BRUNSWICK MUSEUM
LE MUSÉE DU NOUVEAU-BRUNSWICK**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Directors of The New Brunswick Museum / Le Musée du Nouveau-Brunswick

We have audited the accompanying consolidated financial statements of The New Brunswick Museum, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of financial operations and changes in fund balances, cash flows and remeasurement gains 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 public sector accounting standards, 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, 2017, and its consolidated results of operations, its consolidated cash flows and consolidated remeasurement gains for the year then ended, in accordance with Canadian public sector accounting standards.

KPMG LLP

December 6, 2017
Chartered Professional Accountants
Saint John, Canada

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Financial Statements

Year ended March 31, 2017

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These financial statements are also available in French.

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

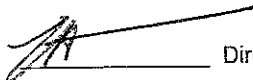
	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2017	2016
Assets						
Current assets:						
Cash	\$ 124,648	\$ -	\$ 5,031	\$ 7,945	\$ 137,624	\$ 37,292
Short-term investments (note 2)	-	-	13,312	252,447	265,759	566,742
Accounts receivable:						
Trade	71,517	-	-	-	71,517	26,738
Grants	935	-	280,723	10,294	291,952	140,578
Due from Province of New Brunswick	2,704	-	132,652	-	135,356	445,795
Prepaid expenses	90,916	-	2,742	-	93,658	65,154
Inventory	49,673	-	-	-	49,673	39,776
	340,393		434,460	270,686	1,045,539	1,322,075
Investments (note 2)	-	-	-	2,090,458	2,090,458	1,775,108
Property and equipment (note 3)	-	153,395	-	-	153,395	28,522
Collection and accessions	2	-	-	-	2	2
	\$ 340,395	\$ 153,395	\$ 434,460	\$ 2,361,144	\$ 3,289,394	\$ 3,125,707

Liabilities and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities	\$ 230,802	\$ -	\$ 8,087	\$ -	\$ 238,889	\$ 202,430
Interfund loans	187,255	-	(188,001)	746	-	-
	418,057	-	(179,914)	746	238,889	202,430
Fund Balances:						
Unrestricted	(77,662)	-	-	-	(77,662)	27,472
Internally restricted	-	-	30,065	41,244	71,309	183,398
Externally restricted	-	-	584,309	-	584,309	506,376
Endowments	-	-	-	1,889,220	1,889,220	1,839,740
Accumulated remeasurement gains	-	-	-	429,934	429,934	337,769
Property and equipment	-	153,395	-	-	153,395	28,522
	(77,662)	153,395	614,374	2,360,398	3,050,505	2,923,277
	\$ 340,395	\$ 153,395	\$ 434,460	\$ 2,361,144	\$ 3,289,394	\$ 3,125,707

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

THE NEW BRUNSWICK MUSEUM

LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2017	2016
Revenues:						
Grants:						
Provincial	\$ 2,666,000	\$ -	\$ 657,732	\$ -	\$ 3,323,732	\$ 3,108,705
Federal	-	-	137,724	-	137,724	45,232
Interest income	4,685	-	40	62,025	66,750	66,339
Webster Foundation	-	-	-	31,443	31,443	36,690
Museum services (note 5)	185,704	-	77,036	-	262,740	180,212
Other grants	-	-	189,819	-	189,819	285,134
Bequests and donations	-	-	15,315	15,998	31,313	121,623
	<u>2,856,389</u>	<u>-</u>	<u>1,077,666</u>	<u>109,466</u>	<u>4,043,521</u>	<u>3,843,935</u>
Expenditures:						
Salaries and benefits	2,346,643	-	238,958	-	2,585,601	2,371,503
Materials, supplies and services	600,027	-	709,193	18,596	1,327,816	1,166,481
Amortization	-	56,544	-	-	56,544	11,788
Collections and accessions	35,779	-	30,438	-	66,217	71,543
Research grants	-	-	3,577	-	3,577	2,500
	<u>2,982,449</u>	<u>56,544</u>	<u>982,166</u>	<u>18,596</u>	<u>4,039,755</u>	<u>3,623,815</u>
Excess (deficiency) of revenues over expenditures	(126,060)	(56,544)	95,500	90,870	3,766	220,120
Gain on sale of investments	-	-	-	31,297	31,297	928
Net surplus (deficit)	(126,060)	(56,544)	95,500	122,167	35,063	221,048
Fund balance, beginning of year	27,472	28,522	659,774	2,207,509	2,923,277	2,729,363
	<u>(98,588)</u>	<u>(28,022)</u>	<u>755,274</u>	<u>2,329,676</u>	<u>2,958,340</u>	<u>2,950,411</u>
Interfund transfers	20,926	181,417	(140,900)	(61,443)	-	-
Remeasurement gains (losses)	-	-	-	92,165	92,165	(27,134)
Fund balance, end of year	\$ (77,662)	\$ 153,395	\$ 614,374	\$ 2,360,398	\$ 3,050,505	\$ 2,923,277

See accompanying notes to consolidated financial statements.

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Net surplus	\$ 35,063	\$ 221,048
Items not involving cash:		
Amortization	56,544	11,788
Gain on sale of investments	(31,297)	(928)
	<u>60,310</u>	<u>231,908</u>
Change in non-cash operating working capital:		
Accounts receivable:		
Trade	(44,779)	15,746
Grants	(151,374)	(78,903)
Due from Province of New Brunswick	310,439	25,791
Prepaid expenses	(28,504)	(6,037)
Inventory	(9,897)	14,041
Accounts payable and accrued liabilities	36,459	(8,452)
	<u>172,654</u>	<u>194,094</u>
Investments:		
Proceeds from sale of investments	644,396	376,025
Purchase of investments	(535,301)	(534,518)
	<u>109,095</u>	<u>(158,493)</u>
Capital activities		
Property and equipment acquired	(181,417)	(21,263)
Increase in cash	100,332	14,338
Cash, beginning of year	37,292	22,954
Cash, end of year	<u>\$ 137,624</u>	<u>\$ 37,292</u>

See accompanying notes to consolidated financial statements.

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statement of Remeasurement Gains

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Accumulated remeasurement gains, beginning of the year	\$ 337,769	\$ 364,903
Unrealized gains (losses) attributable to:		
Long-term investments		
Fixed income	933	(7,255)
Equity instruments	91,232	(19,879)
	92,165	(27,134)
Accumulated remeasurement gains, end of the year	\$ 429,934	\$ 337,769

See accompanying notes to consolidated financial statements.

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements

Year ended March 31, 2017

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 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:

The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. The Museum has elected to apply the section 4200 series for government not-for-profit organizations.

(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 Museum and its subsidiary, The New Brunswick Museum Foundation, Inc. Foundation amounts are included in the restricted fund.

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.

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Financial statement presentation (continued):

(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%

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 various activities, including exhibitions and gallery upgrades. This also includes funds received from activities of the staff to assist in financing specific project expenditures.

THE NEW BRUNSWICK MUSEUM

LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Financial statement presentation (continued):

(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 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.

Christie Research Fund - Established by the 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.

THE NEW BRUNSWICK MUSEUM

LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains until they are realized, when they are transferred to the consolidated statement of operations and changes in fund balances.

Fair value is determined by reference to their quoted bid price. Sales and purchases of investments are recorded on the trade date, transactions costs are expensed.

(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 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 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) 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 LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(e) 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 in the fields of Humanities, Archives and Research Library and Natural Sciences. These collections are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The Humanities holdings, numbering approximately 125,000 artifacts, include history and technology artifacts, cultural and social materials and fine and decorative arts. The Archives and Research Library holds approximately 380 meters of archival material, 35,000 photographs and 46,500 monographs including 500 periodical titles. The Natural Sciences holdings, numbering approximately 380,000 specimens or specimen lots, include geological, paleontological, botanical, mycological and zoological collections.

(f) 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 consolidated financial statements.

(g) Management estimates:

The preparation of consolidated financial statements in conformity with Public Sector Accounting Standards 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.

During the year management established an allowance for doubtful accounts receivable in the general fund totaling \$ 5,185 and allowance for doubtful accounts receivable in the restricted fund totaling \$9,050.

THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

2. Investments:

	2017	2016
Short-term investments:		
Treasury bills and mutual funds	\$ 95,323	\$ 270,419
Bonds maturing within one year	170,436	296,323
	<u>\$ 265,759</u>	<u>\$ 566,742</u>
Long-term investments:		
Bonds	\$ 983,893	\$ 730,443
Equities	1,106,565	1,044,665
	<u>\$ 2,090,458</u>	<u>\$ 1,775,108</u>

3. Property and equipment:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 240,747	\$ 205,899	\$ 34,848	\$ 2,396
Equipment	568,422	451,454	116,968	23,905
Furniture	87,091	85,512	1,579	2,221
	<u>\$ 896,260</u>	<u>\$ 742,865</u>	<u>\$ 153,395</u>	<u>\$ 28,522</u>

THE NEW BRUNSWICK MUSEUM

LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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

	2017	2017
	Actual	Budget (unaudited)
Revenues:		
Provincial grants	\$ 2,666,000	\$ 2,636,000
Museum services	185,704	175,000
Interest income	4,685	4,000
	<u>2,856,389</u>	<u>2,815,000</u>
Expenditures:		
Salaries and benefits	2,346,643	2,176,000
Operations	331,565	305,000
Marketing and Development	92,291	100,000
Curatorial and Library	76,702	115,000
Exhibition and Technical services	75,684	65,000
Visitor Services	21,914	15,000
Outreach	37,650	25,000
	<u>2,982,449</u>	<u>2,801,000</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>\$ (126,060)</u>	<u>\$ 14,000</u>

5. Museum services:

Museum services consist of the following revenue and expenditures:

	2017	2016
Revenues:		
Gift Shop, programs and other	\$ 276,660	\$ 262,550
Admissions	123,640	92,655
Facility Rentals	17,604	21,326
Membership	10,866	10,361
	<u>428,770</u>	<u>386,892</u>
Expenditures:		
Gift Shop, programs and other	243,066	219,442
	<u>\$ 185,704</u>	<u>\$ 167,450</u>

THE NEW BRUNSWICK MUSEUM

LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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 a majority 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.

(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 for asset quality diversity and asset mix consisting of 0% to 10% cash and equivalent, 50% to 65% fixed income investments and 30% to 50% 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 2017 to July 2022 and yield interest at varying rates ranging from 1.81% to 2.87%.