

Consolidated Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of The New Brunswick Museum / Le Musée du Nouveau-Brunswick (the "Museum"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations and changes in fund balances for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of rereasurement gains for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Museum as at March 31, 2020, and its consolidated results of operations, its consolidated cash flows, and its consolidated rereasurement gains for the year then ended in accordance with Canadian public sector accounting standards.

### ***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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Museum in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.



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

***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 public sector accounting standards, 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 Museum'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 Museum or to cease operations, or has no realistic alternative but to do so.

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

***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 the 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.



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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 Museum'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 Museum'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 Museum 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants

Saint John, Canada

December 14, 2020

# **THE NEW BRUNSWICK MUSEUM**

## **LE MUSÉE DU NOUVEAU-BRUNSWICK**

Consolidated Financial Statements

Year ended March 31, 2020

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# THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK


Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2020	2019
<b>Assets</b>						
<b>Current assets:</b>						
Cash	\$ 66,456	\$ -	\$ 8,685	\$ 16,744	\$ 91,885	\$ 263,504
Short-term investments (note 2)	784,745	-	-	-	784,745	331,110
Accounts receivable:						
Trade	20,720	-	-	8,200	28,920	47,930
Grants	-	-	19,061	-	19,061	120,144
Due from Province	-	-	107,595	-	107,595	185,136
Prepaid expenses	70,033	-	-	-	70,033	94,134
Inventories	46,454	-	-	-	46,454	41,334
	988,408	-	135,341	24,944	1,148,693	1,083,292
Investments (note 2)	-	-	-	2,344,525	2,344,525	2,410,726
Property and equipment (note 3)	-	43,313	-	-	43,313	64,412
Collection and accessions	2	-	-	-	2	2
	\$ 988,410	\$ 43,313	\$ 135,341	\$ 2,369,469	\$ 3,536,533	\$ 3,558,432
<b>Liabilities and Fund Balances</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	\$ 189,836	\$ -	\$ 520	\$ -	\$ 190,356	\$ 251,735
Interfund loans	741,532	-	(712,686)	(28,846)	-	-
	931,368	-	(712,166)	(28,846)	190,356	251,735
<b>Fund Balances:</b>						
Unrestricted	57,042	-	-	-	57,042	41,392
Internally restricted	-	-	16,130	18,952	35,082	30,970
Externally restricted	-	-	831,377	-	831,377	733,670
Endowments	-	-	-	2,098,119	2,098,119	2,023,935
Accumulated remeasurement gains	-	-	-	281,244	281,244	412,318
Property and equipment	-	43,313	-	-	43,313	64,412
	57,042	43,313	847,507	2,398,315	3,346,177	3,306,697
Commitments (note 6)						
Subsequent events (note 7 and 10)						
Impact of COVID-19 (note 10)						
	\$ 988,410	\$ 43,313	\$ 135,341	\$ 2,369,469	\$ 3,536,533	\$ 3,558,432

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, 2020, with comparative information for 2019

	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2020	2019
<b>Revenues:</b>						
<b>Grants:</b>						
Provincial	\$ 2,801,100	\$ —	\$ 291,995	\$ —	\$ 3,093,095	\$ 3,160,587
Federal	—	—	47,794	—	47,794	46,777
Interest income	18,635	—	—	67,113	85,748	78,462
Webster Foundation	—	—	—	48,423	48,423	30,611
Museum services (note 5)	231,881	—	1,496	—	233,377	238,648
Other grants	—	—	127,484	—	127,484	209,098
Bequests and donations	—	—	93,961	20,888	114,849	42,525
	3,051,616	—	562,730	136,424	3,750,770	3,806,708
<b>Expenditures:</b>						
Salaries and benefits	2,466,237	—	101,653	—	2,567,890	2,390,352
Materials, supplies and services	572,634	—	346,330	21,075	940,039	1,192,977
Amortization	—	39,764	—	—	39,764	51,206
Collections and accessions	39,981	—	4,252	—	44,233	74,452
Research grants	—	—	14,500	—	14,500	—
	3,078,852	39,764	466,735	21,075	3,606,426	3,708,987
Excess (deficiency) of revenues over expenditures	(27,236)	(39,764)	95,995	115,349	144,344	97,721
Gain on sale of investments	—	—	—	26,210	26,210	40,633
Net surplus (deficit)	(27,236)	(39,764)	95,995	141,559	170,554	138,354
Fund balance, beginning of year	41,392	64,412	749,337	2,451,556	3,306,697	3,138,558
	14,156	24,648	845,332	2,593,115	3,477,251	3,276,912
Interfund transfers	42,886	18,665	2,175	(63,726)	—	—
Net remeasurement gains (losses)	—	—	—	(131,074)	(131,074)	29,785
Fund balance, end of year	\$ 57,042	\$ 43,313	\$ 847,507	\$ 2,398,315	\$ 3,346,177	\$ 3,306,697

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, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Net surplus	\$ 170,554	\$ 138,354
Items not involving cash:		
Amortization	39,764	51,206
Gain on sale of investments	(26,210)	(40,633)
	<u>184,108</u>	<u>148,927</u>
Change in non-cash operating working capital:		
Accounts receivable:		
Trade	19,010	(1,805)
Grants	101,083	38,265
Due from Province	77,541	60,658
Prepaid expenses	24,101	(28,590)
Inventories	(5,120)	4,186
Accounts payable and accrued liabilities	(61,379)	71,409
	<u>339,344</u>	<u>293,050</u>
Investments:		
Proceeds from sale of investments	374,664	424,103
Purchase of investments	(866,962)	(518,446)
	<u>(492,298)</u>	<u>(94,343)</u>
Capital activities		
Property and equipment acquired	(18,665)	—
Increase (decrease) in cash	(171,619)	198,707
Cash, beginning of year	263,504	64,797
Cash, end of year	<u>\$ 91,885</u>	<u>\$ 263,504</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, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains, beginning of the year	\$ 412,318	\$ 382,533
Unrealized gains (losses) attributable to:		
Long-term investments		
Fixed income	639	8,180
Equity instruments	(157,923)	(19,028)
	(157,284)	(10,848)
Realized gains (losses), reclassified to statement of operations:		
Long-term investments	26,210	40,633
Net remeasurement gains (losses)	(131,074)	29,785
Accumulated remeasurement gains, end of the year	\$ 281,244	\$ 412,318

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, 2020

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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 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 accordingly is exempt from income taxes, provided certain requirements of the Act are 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 The New Brunswick Museum Foundation, Inc./Foundation Du Musée Du Nouveau-Brunswick Inc. (NBMF), an entity under common control. NBMF's purpose is to manage fundraising projects for the benefit of the Museum. NBMF's accounts 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, 2020

### 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 (Province).

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%

##### (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.

*Stonehammer UNESCO Global Geopark* - a community-led initiative, with founding support from the New Brunswick Museum. Stonehammer includes a 2,500 square kilometre region in southern New Brunswick. The activities of Stonehammer speak to conservation, preservation, increasing knowledge of and access to New Brunswick's cultural heritage, activities, sites and objects as well as our natural 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, 2020

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### 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, 2020

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### 1. Significant accounting policies (continued):

#### (b) 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 inventories.

#### (c) Revenue recognition:

##### (i) General revenue:

Grants from the Province 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 as revenue when earned.

#### (d) Collections and accessions:

Collections and accessions are recorded at a nominal value due to the practical difficulties of determining a meaningful value for these assets. 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 collections are divided into the following groups:

- The Humanities holdings, which include history and technology artifacts, cultural and social materials and fine and decorative arts;
- The Archives and Research Library, which includes archival material, photographs and monographs including periodical titles; and
- The Natural Sciences holdings, which includes specimens or specimen lots, include geological, paleontological, botanical, mycological and zoological collections.

There were no significant changes to the Museum's collections and accessions during the year.

# THE NEW BRUNSWICK MUSEUM

## LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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### 1. Significant accounting policies (continued):

#### (e) 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.

Financial instruments measured at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Equities are classified as Level 1 and bonds, treasury bills, and mutual funds are classified as level 2. There were no transfers between Level 1 and Level 2 during the year.

#### (f) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses.

# THE NEW BRUNSWICK MUSEUM LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 1. Significant accounting policies (continued):

### (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 consolidated financial statements.

### (h) Use of estimates:

The preparation of consolidated financial statements 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 useful lives of property and equipment. Actual results could differ from those estimates.

## 2. Investments:

	2020	2019
Short-term investments:		
Cash - bearing interest at Bank of Canada's rate plus 0.05%	\$ 784,745	\$ 331,110
Long-term investments:		
Bonds	\$ 1,294,592	\$ 1,292,821
Equities	991,151	1,063,485
Pooled funds	58,782	54,420
	<b>\$ 2,344,525</b>	<b>\$ 2,410,726</b>

## 3. Property and equipment:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 261,840	\$ 251,039	\$ 10,801	\$ 1,680
Equipment	582,679	550,754	31,925	62,034
Furniture	87,091	86,504	587	698
	<b>\$ 931,610</b>	<b>\$ 888,297</b>	<b>\$ 43,313</b>	<b>\$ 64,412</b>

# THE NEW BRUNSWICK MUSEUM

## LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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

	2020 Actual	2020 Budget
<b>Revenues:</b>		
Provincial grants	\$ 2,801,100	\$ 2,801,100
Museum services	231,881	222,575
Interest income	18,635	10,000
	<u>3,051,616</u>	<u>3,033,675</u>
<b>Expenditures:</b>		
Salaries and benefits	2,466,237	2,490,938
Operations	294,943	280,500
Marketing and Development	67,137	67,915
Curatorial and Library	123,905	101,450
Exhibition and Technical services	93,365	92,500
Visitor Services	19,614	21,000
Outreach	13,651	20,000
	<u>3,078,852</u>	<u>3,074,303</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>\$ (27,236)</u>	<u>\$ (40,628)</u>

#### 5. Museum services:

Museum services consist of the following revenue and expenditures:

	2020	2019
<b>Revenues:</b>		
Gift Shop, programs and other	\$ 336,720	\$ 299,132
Admissions	144,269	136,543
Facility rentals	23,944	20,213
Membership	10,501	9,260
	<u>515,434</u>	<u>465,148</u>
<b>Expenditures:</b>		
Gift Shop, programs and other	283,553	250,458
	<u>\$ 231,881</u>	<u>\$ 214,690</u>



# THE NEW BRUNSWICK MUSEUM

## LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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**6. Commitments:**

The Museum is committed to payments for the purpose of acquiring an artistic collection through 2023. Annual payments are scheduled as follows: 2021 - \$25,000; 2022 - \$25,000; and 2023 - \$23,000.

**7. Employee future benefits:**

Qualifying employees of the Museum are members of the New Brunswick Public Service Pension Plan (NBPSPP) and are entitled to receive benefits under the NBPSPP. The plan is a Shared Risk Plan under which contributions for the Museum's full-time employees are made by the Province. As such, these contributions are not reflected in these financial statements. During the year, the Museum began to make contributions to the plan for its long-term casual employees, the Museum's cost is limited to its contributions which were \$78,715 for the year ended March 31, 2020. The Museum is not responsible for any unfunded liability in the plan nor does it have access to any plan surplus. In February 2018, it was determined that the Museum's long-term casual employees should have been contributing to the pension plan since 2014. Subsequent to the year-end, the Province has made a payment in the amount of \$267,745 for the Museum's portion of the past employer contributions. These contributions are not reflected in these financial statements.

**8. Related party transactions:**

Pursuant to the New Brunswick Museum Act, the Museum and the Province, including its various ministries, departments and other Crown Corporations are related parties.

During the period, the Museum received \$3,093,095 (2019 - \$3,160,587) in grants from the Province, which are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

Contributed services are received from the Province for various unallocated operating costs. The Museum has elected not to recognize these as expenses. The contributed services include, the use of premises, and certain professional services, including payroll and human resource services.

Amounts owing from the Province at March 31, 2020 total \$107,595 (2019 - \$185,136) and are included in the due from Province.

# THE NEW BRUNSWICK MUSEUM

## LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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### 9. 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 Museum holds \$134,300 in equity securities denominated in USD.

#### (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 May 2020 to April 2025 and yield interest at varying rates ranging from 1.81% to 3.54%.

# THE NEW BRUNSWICK MUSEUM

## LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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### 10. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Museum implemented the following actions in relation to the COVID-19 pandemic:

- On March 14, 2020, the Museum closed its Market Square and Douglas Avenue locations to the public. The Market Square location was re-opened on July 7, 2020 with reduced hours to the public and restricting the number of visitors. Plexiglass was installed at the visitor check in desk to protect both visitors and staff. The Douglas Avenue location remains closed to the public;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Museum, including closure of the children's Discovery Gallery, limited facility rentals and cancelling other group tours/programming.
- Modifications were made to staff seating arrangements and the implementation of working from home requirements for certain employees.

As a result of these actions, the Museum experienced decreases in operating revenues and increases in operating costs.

#### a) *Subsequent events related to COVID-19:*

As of September 30, 2020, the number of visitors to the Museum totalled 3,112 versus 40,617 at the same time last year. Revenue associated with attendance, gift shop, facility rentals and memberships at September 30, 2020 totalled \$34,715 compared to \$300,809 at the same time last year. Additional spending as a result of COVID-19 on materials and supplies have totalled approximately \$32,000.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Museum's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Museum is not practicable at this time.

# THE NEW BRUNSWICK MUSEUM

## LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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### 10. Impact of COVID-19 (continued):

#### b) *Impact of COVID-19 on financial risks:*

The COVID-19 pandemic has impacted the financial risks of the Museum as follows:

##### i) Credit risk:

Credit risk has increased due to the greater uncertainty surrounding the collectability of accounts receivable from non-Canadian government entities, including individuals, and businesses because of the economic slowdown and changes in operations caused by COVID-19. The Museum is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties.

##### ii) Liquidity risk:

The ability of the Museum to meet their cash flow requirements in the short term has been impacted by several factors but primarily due to loss of revenues associated with museum services.

##### iii) Market risk:

Market risk has increased due to significant volatility in financial markets as discussed below:

##### a) Currency risk:

The Museum's investments in foreign currency instruments have heightened risk due to significant fluctuations in currency markets and the uncertainty in market valuations for currencies due to the pandemic.

##### b) Market risk:

Market risk has increased due to greater uncertainty in the valuation of financial assets arising from volatility in the markets.

The Museum is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Museum's operations and financial position.

### 11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.