

Aquatarium
Financial Statements
December 31, 2018

Aquatarium Contents

For the year ended December 31, 2018

	<i>Page</i>
Management's Responsibility	
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements	5

Management's Responsibility

To the Board of Directors of Aquatarium:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

January 30, 2020


Executive Director

Independent Auditor's Report

To the Board of Directors of Aquatarium:

Qualified Opinion

We have audited the financial statements of Aquatarium (the "Organization"), which comprise the statement of financial position as at December 31, 2018, 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(s) 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Aquatarium derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017 and net assets as at January 1 and December 31 of both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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.

Brockville, Ontario

January 30, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Aquatarium
Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Current		
Cash	190,474	29,149
Accounts receivable	3,092	41
Due from the City of Brockville (Note 3)	162,444	60,081
Harmonized sales tax recoverable	9,550	4,583
Prepaid expenses	3,646	8,378
Inventory (Note 4)	12,767	25,536
	381,973	127,768
Capital assets (Note 5)	18,513,965	19,612,717
	18,895,938	19,740,485
Liabilities		
Current		
Accounts payable and accruals (Note 6)	87,026	102,045
Deferred revenue (Note 7)	160,500	712
Current portion of deferred capital contributions (Note 8)	1,112,155	1,112,155
	1,359,681	1,214,912
Deferred capital contributions (Note 8)	17,238,407	18,350,562
	18,598,088	19,565,474
Net Assets		
Invested in capital assets (Note 9)	163,403	150,000
Internally restricted (Note 9)	75,000	-
Unrestricted	59,447	25,011
	297,850	175,011
	18,895,938	19,740,485

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Aquatarium

Statement of Operations

For the year ended December 31, 2018

	2018	2017
Revenue		
Amortization of deferred contributions <i>(Note 8)</i>	1,112,155	1,112,155
Admissions	614,262	708,558
Contributions from City of Brockville <i>(Note 3)</i>	573,517	453,145
Donations	95,552	82,037
Gift shop	95,523	119,550
Parking	44,980	41,252
Banquet facilities rental	26,249	32,887
Grant revenue	19,659	25,329
	2,581,897	2,574,913
Expenses		
Amortization	1,113,186	1,112,155
Salaries and benefits	678,721	767,235
Occupancy costs <i>(Note 3)</i>	298,401	406,351
Administration <i>(Note 3)</i>	138,287	101,980
Exhibits and programming	90,017	100,967
Parking	54,816	57,599
Gift shop operations	45,748	64,392
Marketing and advertising	36,951	32,231
Directors and officers insurance	2,931	2,931
	2,459,058	2,645,841
Excess (deficiency) of revenue over expenses	122,839	(70,928)

The accompanying notes are an integral part of these financial statements

Aquatarium
Statement of Changes in Net Assets
For the year ended December 31, 2018

	<i>Invested in capital assets</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	2018	2017
Net assets, beginning of year	150,000	-	25,011	175,011	245,939
Excess (deficiency) of revenue over expenses	(1,031)	-	123,870	122,839	(70,928)
Transfers between funds <i>(Note 9)</i>	-	75,000	(75,000)	-	-
Purchase of capital assets	14,434	-	(14,434)	-	-
Net assets, end of year	163,403	75,000	59,447	297,850	175,011

The accompanying notes are an integral part of these financial statements

Aquatarium
Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	122,839	(70,928)
Amortization	1,113,186	1,112,155
Amortization of deferred contributions	(1,112,155)	(1,112,155)
	123,870	(70,928)
Changes in working capital accounts		
Accounts receivable	(3,051)	32,718
Due from City of Brockville	(102,363)	(9,701)
Harmonized sales tax recoverable	(4,967)	(4,583)
Prepaid expenses	4,732	5,533
Inventory	12,769	19,631
Accounts payable and accruals	(15,019)	(113,370)
Deferred revenue	159,788	(776)
	175,759	(141,476)
Investing		
Purchase of capital assets	(14,434)	-
Increase (decrease) in cash	161,325	(141,476)
Cash, beginning of year	29,149	170,625
Cash, end of year	190,474	29,149

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Aquatarium (the "Organization") is a not-for-profit organization incorporated without share capital under the Corporations Act of Canada.

The Organization's primary objective is to advance education by operating a public facility that provides classes, workshops, instructional seminars, and experiential and discovery-based learning through interactive exhibits about the 1000 Islands region of the St. Lawrence River and educate the public about environmental stewardship.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value except for related party transactions which are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 3).

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures all financial assets and liabilities at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses in the year the reversal occurs.

Inventory

Inventory is comprised of finished goods and is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Buildings	40 years
Building service equipment	10 years
Parking structure	75 years
Exhibits	7 to 15 years
Technology	5 to 7 years

Revenue recognition

The Organization follows the deferral method of accounting for contributions, including grants and donations. Restricted contributions are recognized as revenue in the year in which the related 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.

Revenue from admissions, parking and banquet facilities rentals are recognized when the related activities are commenced.

Revenue from gift shop sales are recognized when the sales occur.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Organization's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Volunteers contribute a substantial number of hours each year to assist the Organization in carrying out its activities. Due to the difficulty of measuring the fair value of these services, volunteer services are not recognized in the financial statements.

Measurement uncertainty (use of estimates)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable, and amounts due from related entities are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs. Amortization is based on the estimated useful lives of capital assets. Accrued liabilities are estimated based on expected expenditures incurred prior to year end where no invoice has been received.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

Aquatarium
Notes to the Financial Statements
For the year ended December 31, 2018

3. Related party transactions

The City of Brockville has significant influence over the Organization as it is a significant stakeholder and appoints 4 out of the 12 members of the Board of Directors. Included in the Statement of Operations are monetary contributions of \$493,977 (2017 - \$375,402) and in-kind donations for occupancy costs of \$58,935 (2017 - \$57,443) and payroll services of \$20,605 (2017 - \$20,300) included in administration. The transactions are recorded at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

As at December 31, 2018, \$162,444 (2017 - \$60,081) was due from the City of Brockville. The receivable bears no interest and has no fixed terms of repayment.

4. Inventory

The cost of inventory recognized as an expense and included in gift shop operations amounted to \$45,748 (2017 - \$64,392).

5. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	150,000	-	150,000	150,000
Buildings	10,924,314	773,806	10,150,508	10,423,616
Building service equipment	222,934	62,330	160,604	182,897
Parking structure	1,250,000	47,223	1,202,777	1,219,444
Exhibits	8,650,350	2,031,540	6,618,810	7,322,057
Technology	467,671	236,405	231,266	314,703
	21,665,269	3,151,304	18,513,965	19,612,717

During the year, the Organization received contributed building service equipment capital assets.

These contributed capital assets have been recorded at their fair value of \$nil (2017 – \$10,000).

6. Accounts payable and accruals

	2018	2017
Trade payables	53,162	57,619
Wages payable	18,840	32,420
Government remittances payable	15,024	12,006
	87,026	102,045

7. Deferred revenue

Deferred contributions consist of unspent contributions externally restricted for the delivery of certain programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2018	2017
Balance, beginning of year	712	1,488
Amount received during the year	160,500	712
Less: Amount recognized as revenue during the year	(712)	(1,488)
Balance, end of year	160,500	712

8. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized portion of contributed capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2018	2017
Balance, beginning of year	19,462,717	20,564,872
Contributed capital assets	-	10,000
Less: Amounts recognized as revenue during the year	(1,112,155)	(1,112,155)
	18,350,562	19,462,717
Less: current portion	1,112,155	1,112,155
Balance, end of year	17,238,407	18,350,562

9. Restrictions on net assets

Internally restricted net assets

During the year, the Organization's Board of Directors internally restricted \$75,000 (2017 – \$nil) of unrestricted net assets to be held for certain programming in future years. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

The Board of Directors has also restricted net assets equal to the Organization's equity in capital assets.

10. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization meets its liquidity requirements by monitoring cash flows from operations and anticipating financing and investing activities.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of trade accounts receivable and due from the City of Brockville. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

11. Income taxes

The Organization 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 Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.