

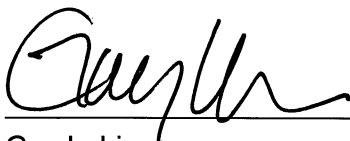
Management's Responsibility For Financial Information

The accompanying 2018-19 financial statements of Science North are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Business Affairs & Audit Committee and the Board of Directors meet regularly to oversee the financial activities of Science North, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.



Guy Labine
Chief Executive Officer



Jennifer Booth
Director of Finance

Financial Statements of

SCIENCE NORTH

Year ended March 31, 2019



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Honourable Minister of Tourism, Culture and Sport of the Province of Ontario and the Board of Trustees of Science North

Opinion

We have audited the financial statements of Science North (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the 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 financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows 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 responsibility 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 Entity 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.

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



Responsibility 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 Entity'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 Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Entity'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 the events or conditions that may cast significant doubt on the Entity'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 Entity's 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, Licensed Public Accountants

Sudbury, Canada
June 25, 2019

SCIENCE NORTH

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 829,183	\$ 1,648,481
Short-term investments	447,002	4,677,517
Accounts receivable (note 2)	4,828,816	3,002,700
Prepayments and inventory	704,456	670,537
	<u>6,809,457</u>	<u>9,999,235</u>
Restricted investments	7,681,112	6,911,122
Capital assets (note 3)	39,542,322	38,994,714
	<u>\$ 54,032,891</u>	<u>\$ 55,905,071</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,295,174	\$ 4,050,739
Deferred revenue	1,183,325	2,017,275
Current portion of loans payable (note 4)	15,000	7,527
	<u>4,493,499</u>	<u>6,075,541</u>
Loans payable (note 4)	1,362,670	1,395,143
	<u>5,856,169</u>	<u>7,470,684</u>
Fund balances:		
General	418,641	1,373,566
Capital asset	38,493,512	37,945,903
Restricted and endowment (note 5)	9,264,569	9,114,918
	<u>48,176,722</u>	<u>48,434,387</u>
	<u>\$ 54,032,891</u>	<u>\$ 55,905,071</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chair, Board of Trustees



Chief Executive Officer

SCIENCE NORTH

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	General		Capital Asset		Restricted and Endowment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue:								
Province of Ontario grants:								
Operating	\$ 6,828,900	6,828,900	-	-	-	-	6,828,900	6,828,900
Specific	1,358,220	1,434,839	1,607,343	3,214,500	-	-	2,965,563	4,649,339
Government of Canada grants	1,674,002	712,853	1,585,055	230,490	-	-	3,259,057	943,343
Other Government grants	30,000	13,500	-	-	-	-	30,000	13,500
Admissions (schedule)	2,184,495	2,430,773	-	-	-	-	2,184,495	2,430,773
Workshops and events	1,326,971	1,343,425	-	-	-	-	1,326,971	1,343,425
Memberships	592,048	640,640	-	-	-	-	592,048	640,640
Business operations (schedule)	3,273,142	4,571,543	-	-	-	-	3,273,142	4,571,543
Fundraising and donations	421,998	487,320	-	50,825	3,337	4,109	425,335	542,254
Interest earned	148,460	221,313	-	-	223,867	225,583	372,327	446,896
Gain on disposal	-	-	1,410,150	-	-	-	1,410,150	-
Other	89,494	202,721	7,445	655,145	-	-	96,939	857,866
	17,927,730	18,887,827	4,609,993	4,150,960	227,204	229,692	22,764,927	23,268,479
Expenses:								
Science program (schedule)	7,921,083	7,126,042	-	-	-	-	7,921,083	7,126,042
Business operations (schedule)	4,140,772	4,758,489	-	-	-	-	4,140,772	4,758,489
Maintenance and building	2,138,094	2,044,383	-	-	-	-	2,138,094	2,044,383
Administrative operations	3,200,328	3,084,258	-	-	-	-	3,200,328	3,084,258
Marketing and development	1,657,255	1,488,674	-	-	-	-	1,657,255	1,488,674
Program technical support	445,209	446,699	-	-	-	-	445,209	446,699
Amortization of capital assets	-	-	3,519,851	4,057,021	-	-	3,519,851	4,057,021
	19,502,741	18,948,545	3,519,851	4,057,021	-	-	23,022,592	23,005,566
Excess (deficiency) of revenue over expenses								
	(1,575,011)	(60,718)	1,090,142	93,939	227,204	229,692	(257,665)	262,913
Fund balances, beginning of year	1,373,566	1,048,300	37,945,903	38,064,466	9,114,918	9,058,708	48,434,387	48,171,474
Transfers for capital	766,352	377,132	(542,533)	(212,502)	(223,819)	(164,630)	-	-
Interfund transfers (note 6)	(146,266)	8,852	-	-	146,266	(8,852)	-	-
Fund balances, end of year	\$ 418,641	1,373,566	38,493,512	37,945,903	9,264,569	9,114,918	48,176,722	48,434,387

See accompanying notes to financial statements.

SCIENCE NORTH

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (257,665)	\$ 262,913
Adjustments for:		
Net book value of capital assets disposal	382,427	-
Amortization of capital assets	3,519,851	4,057,021
	3,644,613	4,319,934
Changes in non-cash working capital (note 9)	(3,449,550)	(271,295)
	195,063	4,048,639
Financing activities:		
Principal repayment of loans payable	(25,000)	(16,265)
Capital activities:		
Purchase of capital assets	(4,449,886)	(3,938,458)
Investing activities:		
Net restricted acquisition/dispositions of investments	3,460,525	(342,994)
Net decrease in cash	(819,298)	(249,078)
Cash, beginning of year	1,648,481	1,897,559
Cash, end of year	\$ 829,183	\$ 1,648,481

See accompanying notes to financial statements.

SCIENCE NORTH

Notes to Financial Statements

Year ended March 31, 2019

Science North (the "Organization") is an Ontario Organization established as a Science Centre Organization under the Science North Act of the Province of Ontario. The Organization is a registered charity and is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted, capital and restricted and endowed funds of Science North.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

(b) Revenue recognition:

The Organization follows the restricted fund method of accounting. Under this method, the following principles have been applied:

- Contributions are recorded as revenue in the respective funds based on their nature, source and the restrictions stipulated by the donor.
- Contributions including pledges and donations are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- Revenue on contracts is recognized using the percentage-of-completion method. The percentage is determined by relating the actual cost of work performed to date to the current estimated total cost for each contract. Unearned advances are deferred. Projected losses, if any, are recognized immediately for accounting purposes.
- Revenue from film distribution and license / lease arrangements is recognized only when persuasive evidence of a sale or arrangement with a customer exists, the film is complete and the contractual delivery arrangements have been satisfied, the arrangement fee is fixed or determinable, collection of the arrangement fee is reasonably assured and other conditions as specified in the respective agreements have been met.
- Cash received in advance of meeting the revenue recognition criteria described above is recorded as deferred revenue.

(c) Investments:

The short-term and restricted investments consist of bonds and coupons and are recorded at amortized cost.

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Capital assets:

With the exception of the Bell Grove land, which is recorded at nominal value, capital assets are stated at cost or fair market value if donated.

Amortization on buildings is provided on the declining-balance basis at an annual rate of 5%.

Amortization on exhibits and equipment is provided on the straight-line basis at annual rates ranging from 5% to 20%.

Amortization on large format films, when available for use, is provided in proportion that current revenue bears to management's estimate of revenue expected from the film.

(e) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments held in equity investments that trade in an active market are recorded at market.

All other investments are held at amortized cost. All investments held in equity investments that trade in an active market are recorded at fair values. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Fair value measurements are those derived market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(f) Employee future benefits:

The Organization has defined contribution plans providing pension benefits. The cost of the defined contribution plans is recognized based on the contributions required to be made during each year.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Items subject to such estimates and assumptions include the carrying value of capital assets and loans payable and valuation allowances for accounts receivable and inventory. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Accounts receivable:

	2019	2018
General accounts receivable	\$ 3,269,714	3,002,700
Insurance receivable	1,559,102	-
	<u>\$ 4,828,816</u>	<u>3,002,700</u>

3. Capital assets:

2019	Cost	Accumulated Amortization	Net Book Value
Land and buildings:			
Bell Grove	\$ 55,002,370	33,602,074	21,400,296
Dynamic Earth	14,365,300	6,691,974	7,673,326
Exhibits and equipment:			
Bell Grove	19,111,775	16,200,319	2,911,456
Dynamic Earth	8,650,356	6,260,306	2,390,050
Travelling exhibits	8,235,727	5,454,683	2,781,044
Large format film	8,096,345	5,710,195	2,386,150
	<u>\$ 113,461,873</u>	<u>73,919,551</u>	<u>39,542,322</u>

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Capital assets (continued):

2018	Cost	Accumulated Amortization	Net Book Value
Land and buildings:			
Bell Grove	\$ 54,275,056	34,598,059	19,676,997
Dynamic Earth	14,272,812	6,350,220	7,922,592
Exhibits and equipment:			
Bell Grove	18,499,727	15,799,394	2,700,333
Dynamic Earth	8,650,356	5,838,207	2,812,149
Travelling exhibits	7,946,652	4,750,628	3,196,024
Large format film	8,096,345	5,409,726	2,686,619
	\$ 111,740,948	72,746,234	38,994,714

4. Loans payable:

	Principal Outstanding		Payment Terms
	2019	2018	
Province of Ontario:			
IMAX Theatre	\$ 75,837	75,837	50% of average annual IMAX Theatre profits, if any, for previous two fiscal years.
Wings Over the North	1,000,000	1,000,000	One third of remaining distribution profits received by Science North once a third party contributor has recouped its investment against such profits.
Government of Canada:			
Large Format Films Distribution	301,833	326,833	This loan is repayable at 4% of gross revenues from film distribution and its derivatives.
Total	1,377,670	1,402,670	
Less current portion of loans payable	(15,000)	(7,527)	
	\$ 1,362,670	1,395,143	

The Federal loans payable reflect management's current estimates of its obligation given the plans and results to date. The balances have not been discounted given the indeterminable repayment schedule.

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Restricted and endowment funds:

The restricted and endowment funds are comprised of the following:

	2019	2018
Externally restricted:		
Capital renewal fund	\$ 3,106,597	3,073,708
Program and exhibit funds	929,600	682,460
Endowment fund	39,135	37,003
	<u>4,075,332</u>	<u>3,793,171</u>
Internally restricted:		
Funds:		
Operating reserve fund	1,565,338	2,666,830
Insurance reserve	1,559,102	-
Waterfront development	371,479	340,490
Human resources	109,861	110,631
Funded reserves	<u>7,681,112</u>	<u>6,911,122</u>
Other	55,674	126,012
Program and exhibit funds	151,567	152,610
Replacement of capital assets	873,867	1,322,878
Human resources	502,349	602,296
	<u>1,583,457</u>	<u>2,203,796</u>
	<u>\$ 9,264,569</u>	<u>9,114,918</u>

6. Interfund transfers:

The interfund transfers are comprised of:

- net assets of \$471,882 (2018 - \$618,259) which were internally allocated between the General Fund and the Restricted Fund, to cover certain general fund purchases;
- net assets of \$250,000 (2018 - \$163,290) which were internally allocated between the General Fund and the Restricted Fund for capital acquisitions (future capital acquisitions); and
- net assets of \$368,148 (2018 - \$446,117) which were internally allocated between the General Fund and the Restricted Fund to cover future operational expenditures.

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. Financial instruments:

(a) Credit risk and market risk:

The Organization has no significant exposure to credit or market risks.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Organization is exposed to this risk through its interest bearing investments.

The Organization's bond portfolio has interest rates ranging from 2.15% to 5.42% with maturities ranging from June 21, 2019 to June 3, 2035.

8. Employee future benefits:

The contributions to the defined contribution pension plans were \$638,347 (2018 - \$539,151).

9. Change in non-cash operating working capital:

	2019	2018
Cash provided by (used in):		
Increase in accounts receivable	\$ (1,826,116)	(1,538,954)
Decrease (increase) in prepayments and inventory	(33,919)	482,255
Increase (decrease) in accounts payable and accrued liabilities	(755,565)	840,529
Decrease in deferred revenue	(833,950)	(55,125)
	<hr/>	<hr/>
	\$ (3,449,550)	(271,295)

10. Insurance claim:

In 2017, a flood at the Organization resulted in temporary termination of operations as well as water damage to the infrastructure. The insurance proceeds were recorded as revenue in the capital asset fund and transferred to the restricted and endowment fund for future remediation.

SCIENCE NORTH

Schedule of General Fund Revenues and Expenditures

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Admissions:		
Science Centre	\$ 1,190,767	1,296,146
Dynamic Earth	508,961	569,368
IMAX Theatre	342,537	366,916
Planetarium	83,773	100,744
Escape room	58,457	97,599
	\$ 2,184,495	2,430,773
Business operations:		
Exhibit and theatre production sales	\$ 1,579,497	2,766,201
Food and Retail	1,569,288	1,648,988
Parking	91,587	103,986
Film production services	32,770	52,368
	\$ 3,273,142	4,571,543
Science program:		
Science Centre operations	\$ 2,769,112	2,966,688
Education and Northern programs	4,419,186	3,420,870
Dynamic Earth operations	732,785	738,484
	\$ 7,921,083	7,126,042
Business operations:		
Cost of exhibit sales	\$ 1,696,567	2,378,514
Food and Retail	1,325,425	1,243,981
Box office and sales	507,670	527,819
IMAX Theatre	421,361	475,330
Cost of film services	111,925	15,546
Escape Room	53,621	95,666
Planetarium	24,203	21,633
	\$ 4,140,772	4,758,489