2019 Treasurer Report

Dear Members:

Thank you for attending this years' AGM.

Last year I conveyed to all of those at our last AGM that we needed to talk about re-organizing the Foundation since change was required if we were to continue as a going concern. To this end, since March 31, 2019, we have reorganized ourselves into a non-profit company limited by guarantee. As part of this process the trustees were transitioned into the new directors & voting members of this new company. This process was necessary to better manage risk and to attract and keep talent on the board.

Overall results:
During fiscal 2019 and 2018 the Foundation was under a great deal of financial pressure to maintain the Deliverance and the World Heritage Center (WHC). As a result in fiscal 2019 we continued to incur a net financial loss before amortization of $16,597. While this loss is considerably more favourable than the prior years' loss of $75,594, we were nevertheless forced to act since our cash position remained intolerably low and our current accounts payable were growing unabated.

Understanding the nature of the financial statements:
Unlike many organizations, the financial results of the Foundation are much more impacted by allocations made to satisfy financial reporting rules than by economic transactions occurring during the reporting year which have a current or future cash flow effect. Looking at the statement of operations, the largest revenue item (i.e. campaign income) and the largest expense item (i.e. amortization) reflect these type of allocations.

Looking at the statement of operations:
(i) Campaign income and amortization of capital assets:
The campaign income of $267,459 (2018: $267,461) is a result of amortizing our deferred contributions of $1,931,774 (2018: $2,199,233). The amortization expense of $193,511 (2018: $193,433) is a result of allocating the cost of the Foundation's capital assets. Under financial reporting rules, the net effect of the campaign income less amortization is technically a net gain of $73,948 (2018: $74,028), however the current and future cash flow effects of these "net gains" are zero. With this in mind you really need to pay much more attention to our net **loss** before amortization of $16,597 (2018 loss: $75,594) rather than our net income after amortization of

$57,351 (2018 loss: $1,566). Failure to do so will probably result in the reader reaching the incorrect conclusion about the true net financial results of our operations.

(ii) Non restricted donations:
Non-restricted donations of $150,662 (2018: $164,207) are mainly comprised of sales and admission fees originating from the WHC; unrestricted donations (e.g. persons and organizations simply donating sums of money); receipts from special events (e.g. dinners, receptions, raffles) and rental revenue from three tenants using space within the WHC. The net fluctuation this year was slightly down mainly because last year admissions to the WHC was up $10k thanks to the Americas Cup effect and a raffle the previous year enhanced fiscal 2018's results too.

(iii) Membership dues and fees:
There has been a fall in those renewing their memberships, but we do have a plan in place to enhance our membership base.

(iv) Staffing:
Staffing is down because commencing the winter of 2018/19 we needed to scale back the hours of our staff.

(v) Facilities:
Facilities expense includes items like electricity; insurance; repair & maintenance, including restoration work on the Deliverance. Facilities expense has fallen primarily because in fiscal 2018 we spent almost $30k on fumigating the World Heritage Center. For this year we have spent $7k less repairing the Deliverance since a decision was made not to renew the Deliverance lease which expired on August 31, 2018.

(vi) Outside services:
Outside services includes mainly our auditing and bookkeeping fees as well as some other smaller fees that might include printing. This year's total was down because we received an audit waiver from the charities commission. On the subject of our audit, our audit payable for fiscal 2018 was waived.

Looking at the statement of financial position:

i. Capital assets:
The net book value of our capital assets of $1,393,767 (2018: $1,585,683) is nothing more than the unamortized portion of our leasehold improvements, 96% of which is related to the WHC

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with the remaining 4% going towards signage and the Patience model. This "asset" value may seem very "attractive", however its carrying value is more to do with satisfying accounting rules, and less to do with estimating the future value of the cash flows expected from the assets. Given these traits and the fact that this is an intangible asset is one of the reasons we received an audit waiver from the charities commission.

ii. *Accounts payable:*
Our accounts payable of $94,523 (2018: $76,288) rose because we needed to defer paying many of our vendors and creditors so that we could make payroll and related expenses.

iii. *Deferred contributions:*
The largest figure on the balance sheet is the deferred contributions of $1,931,774 (2018: $2,199,233) which arose many years ago from the capital campaign. Under accounting rules we were not permitted to recognize the proceeds of this capital campaign as revenue when the cash was received. Instead the value of the total cash receipts were deferred on the balance sheet as a "long-term liability". Campaign revenue is charged against the deferred contributions only at the same rate as depreciation is charged against our capital assets. As already explained, the campaign income harvested from the unamortized deferred contributions balance is not a cash item, nor will it ever become one. We therefore should not view our campaign income as a current source of cash. It is merely an accounting exercise to satisfy the matching principle dictated by accounting rules and standards. It will be another five years before the deferred contributions are written off, hence for another five years our net income after amortization will seem at first glance much better than our true performance. Another reason why we were able to receive the audit waiver was because of the nature of the campaign revenue.

Looking ahead:
Along with your AGM pack you should find our financial results for the six months ended September 30, 2019. These results confirm that the transition and our efforts to rationalize the operations of the Foundations have reversed the financial declines experienced in the past. Since March 31, 2019 our cash position has improved by $30k and our accounts payable have fallen by $22k. For the six months ended September 30, 2019 our net income before amortization has risen by $77k compared to the year ended March 31, 2019. Our ratio of current assets to current liabilities has risen almost 4-fold from 0.12 on March 31, 2019 to 0.49 on September 30, 2019. These statistics confirm that we have reversed our

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financial declines and that within the foreseeable future we should find ourselves back into financial solvency.

Getting people involved:
The Foundation's continued success will rest more and more on those willing to volunteer. We need people who can home their talents to increase our membership base. We would also be most grateful if volunteers could step forward to help the Foundation with its efforts to maintain the World Heritage Center. If anyone can dedicate a certain amount of time on certain days, then please advise myself at 297-4032 or Peter Frith at 297-8043 or 536-1637, or any of our board members.

I would like to thank Karen Olson for volunteering her time every month throughout the year to complete the monthly bookkeeping and Peter Frith for the assistance he has given me since I joined the Foundation. Also, I would like to extend a special thanks to all of the board members for their continued support.

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Peter Barrett
Treasurer