

MIRAMICHI SALMON ASSOCIATION INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

Draft for discussion purposes only

MIRAMICHI SALMON ASSOCIATION INC.

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For the year ended December 31, 2020

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of
Miramichi Salmon Association Inc.

Report on the Financial Statements

We have reviewed the consolidated financial statements of Miramichi Salmon Association Inc., that comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of consolidated financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not present fairly, in all material respects, the financial position of Miramichi Salmon Association Inc. as at December 31, 2020, 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.

Miramichi, NB

May 29, 2021

Chartered Professional Accountants

MIRAMICHI SALMON ASSOCIATION INC.
Consolidated Statement of Financial Position
(Unaudited)
As at December 31

	Miramichi Forever Funds				
	Operating Fund	Endowment Fund	Discretionary Fund	2020 Total	2019 Total
ASSETS					
Current Assets					
Cash	\$ -	\$ 86,237	\$ 11,562	\$ 97,799	\$ 116,403
Accounts receivable (Note 3)	445,734	-	-	445,734	393,307
Inventory	33,901	-	-	33,901	56,149
Prepaid expenses	8,267	-	-	8,267	7,350
Government remittances receivable	-	-	-	-	5,830
Investments (Note 4)	-	1,319,517	639,834	1,959,351	1,902,780
	487,902	1,405,754	651,396	2,545,052	2,481,819
PROPERTY AND EQUIPMENT (Note 5)	193,513	-	-	193,513	233,437
	\$ 681,415	\$ 1,405,754	\$ 651,396	\$ 2,738,565	\$ 2,715,256
LIABILITIES					
Current Liabilities					
Bank indebtedness (Note 6)	\$ 23,877	\$ -	\$ -	\$ 23,877	\$ 8,198
Accounts payable and accrued liabilities	19,006	-	-	19,006	53,527
Government remittances payable	34,886	-	-	34,886	-
Unearned revenue	-	-	-	-	3,346
Interfund loans	4,143	(4,143)	-	-	-
Long-term debt due within one year	9,729	-	-	9,729	12,814
	91,641	(4,143)	-	87,498	77,885
LONG TERM DEBT (Note 7)	24,325	-	-	24,325	34,054
	115,966	(4,143)	-	111,823	111,939
NET ASSETS					
Fund balances					
Miramichi Forever Funds	-	1,409,897	651,396	2,061,293	2,037,485
Operating Fund	565,449	-	-	565,449	565,832
	565,449	1,409,897	651,396	2,626,742	2,603,317
	\$ 681,415	\$ 1,405,754	\$ 651,396	\$ 2,738,565	\$ 2,715,256

On Behalf of the Board

Director

Director

MIRAMICHI SALMON ASSOCIATION INC.
Consolidated Statement of Operations
(Unaudited)
For the year ended December 31

	Miramichi Forever Funds				
	Operating Fund	Endowment Fund	Discretionary Fund	2020 Total	2019 Total
REVENUE					
Membership and donations	\$ 45,152	\$ 5,452	\$ -	\$ 50,604	\$ 144,483
Fundraising dinners	121,900	-	-	121,900	258,466
Fundraising	15,472	-	-	15,472	15,220
Transfer from MSA (US) Inc. (Note 8)	84,090	-	-	84,090	99,389
Miscellaneous income	12,656	-	-	12,656	22,794
Projects (government funding) (Note 3)	149,316	-	-	149,316	77,841
Contract income	4,527	-	-	4,527	7,429
Maintenance contract (Note 13)	200,000	-	-	200,000	95,000
Rental income	30,714	-	-	30,714	35,869
Investment income	-	36,472	23,083	59,555	66,324
Realized gain (loss) on investments	-	146	-	146	15,687
Unrealized gain (loss) on investments	-	27,121	17,145	44,266	106,143
Gain on sale of property and equipment	-	-	-	-	92,311
	\$ 663,827	\$ 69,191	\$ 40,228	\$ 773,246	\$ 1,036,956
EXPENDITURES					
Salaries and benefits	\$ 442,715	\$ -	\$ -	\$ 442,715	\$ 392,174
Bad debt	5,378	-	-	5,378	-
Repairs and maintenance	4,651	-	-	4,651	62,498
Amortization	39,924	-	-	39,924	42,828
Travel expenses	19,355	-	-	19,355	52,793
Office supplies	86,620	-	-	86,620	79,415
Fundraising dinners	56,652	-	-	56,652	82,111
Member service costs	7,056	-	-	7,056	10,764
Insurance	22,970	-	-	22,970	11,500
Education	11,000	-	-	11,000	11,100
Rent	1,800	-	-	1,800	8,250
Project costs	37,833	-	-	37,833	70,452
Interest on long term debt	803	-	-	803	1,022
Telephone and utilities	15,659	-	-	15,659	13,374
	\$ 752,416	\$ -	\$ -	\$ 752,416	\$ 838,281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE DISCONTINUED OPERATIONS	\$ (88,589)	\$ 69,191	\$ 40,228	\$ 20,830	\$ 198,675
DISCONTINUED OPERATIONS (Note 10)	\$ 2,595	\$ -	\$ -	\$ 2,595	\$ 20,421
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ (85,994)	\$ 69,191	\$ 40,228	\$ 23,425	\$ 219,096

MIRAMICHI SALMON ASSOCIATION INC.
Consolidated Statement of Changes in Net Assets
(Unaudited)
For the year ended December 31

	Miramichi Forever Funds			2020 Total	2019 Total
	Operating Fund	Endowment Fund	Discretionary Fund		
Accumulated surplus opening balance	\$ 565,832	\$ 1,396,569	\$ 640,916	\$ 2,603,317	\$ 2,384,221
Excess (deficiency) of revenue over expenditures	(85,994)	69,191	40,228	23,425	219,096
Transfers from discretionary fund	29,748	-	(29,748)	-	-
Transfers from endowment fund	55,863	(55,863)	-	-	-
Closing fund balance	\$ 565,449	\$ 1,409,897	\$ 651,396	\$ 2,626,742	\$ 2,603,317

Draft for discussion purposes only

MIRAMICHI SALMON ASSOCIATION INC.
Consolidated Statement of Cash Flows
(Unaudited)

For the year ended December 31	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 23,425	\$ 219,096
Adjustments for		
Amortization	39,924	42,828
Donated investments	1,309	-
Realized gain on disposal of investments	(146)	(15,687)
Unrealized (gain) loss on fund investments	(44,266)	(106,143)
Gain on sale of property and equipment	-	(92,311)
	20,246	47,783
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	(52,427)	22,315
Decrease (increase) in inventory	22,248	(7,595)
Decrease (increase) in prepaid expenses	(917)	-
Increase (decrease) in accounts payable	(34,521)	(4,556)
Increase (decrease) in unearned revenue	(3,346)	(8,654)
Increase (decrease) in government remittances payable	40,716	(64,402)
	(8,001)	(15,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long term debt	-	49,068
Long term debt repayments	(12,814)	(18,182)
	(12,814)	30,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(49,096)
Proceeds on disposal of property and equipment	-	96,752
Net investment proceeds (purchases)	(13,468)	(8,911)
	(13,468)	38,745
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,283)	54,522
CASH AND CASH EQUIVALENTS, beginning of year	108,205	53,683
CASH AND CASH EQUIVALENTS, end of year	\$ 73,922	\$ 108,205
Cash consists of:		
	2020	2019
Cash - discretionary fund	\$ 11,562	\$ 48,393
Cash - endowment fund	86,237	68,010
Bank indebtedness - operating fund	(23,877)	(8,198)
	\$ 73,922	\$ 108,205

1. PURPOSE OF THE ORGANIZATION

Since 1953, the Miramichi Salmon Association Inc. and its members have dedicated their funds and capabilities to the protection of the Miramichi River system on behalf of anglers, outfitters, guides and all others with economic, environmental and recreational interests in the river. The association is a registered charitable organization and is exempt from federal and provincial corporate taxes under the provisions of the Canadian Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The association's consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition

The association follows the restricted fund method of accounting for contributions.

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. Restricted contributions are recognized as revenue in the year they are received. Endowment contributions are recognized as revenue in the year they are received. Investment income is recognized as revenue when earned.

Fish sales are recognized upon delivery of fish to customer.

Grants are recorded in the period the related expenditures are incurred when reasonable assurance exists the company has complied with the terms and conditions of the contract.

Rental income is recognized on a straight line basis over the agreed rental term.

(c) Investments

All investments were designated by the association as held-for-trading in accordance with the CPA Canada Handbook - Accounting Section 3856 and are recorded at fair value based on quoted market values. Interest and dividend income and realized gains and losses are included in investment income and recognized in the period in which they arise. Unrealized gains and losses are included in investment income and recognized in the period in which they arise.

(d) Inventory

Inventory is recorded at the lower of cost and net realizable value and is comprised of donated items used for fundraising activities and auctions.

(e) Contributed services

The association is dependent on the work of many volunteers to fulfil its mission. Due to the difficulty in determining their value, donated services are not recorded in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and cash balances in investment trading accounts.

(g) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The association provides for amortization using the following methods at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Office equipment	20%	Declining balance
Computer equipment and software	30%	Declining balance
Vehicles	4 years	Straight-line
Leasehold improvements	20 years	Straight-line
Contribution - Hatchery renovations	20 years	Straight-line
Contribution - Centre of Excellence	20 years	Straight-line

(h) Use of estimates

In preparing the association's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(i) Miramichi Forever Endowment Fund

The Miramichi Forever Endowment Fund provides long term financial support for the Miramichi salmon conservation. The annual spending allocation from this group of funds is based on a predetermined rate applied to the opening balance of the endowment fund. The spending rate is determined by the Board of Directors in consideration of maximizing both the spending and endowment growth and is currently 4% of year end endowment fund asset value, unless a project is specifically approved by the Board of Directors. As of December 31, 2020, the total value of the Miramichi Forever Endowment Fund was \$1,409,897.

(j) Miramichi Forever Discretionary Fund

The Miramichi Forever Discretionary Fund provides much needed support for Miramichi salmon conservation. These funds are available for Board approved spending on possible shortfalls in budgeted operations and for unforeseen contingency requirements. As of December 31, 2020, the total value of the Miramichi Forever Discretionary Fund was \$651,396.

3. CANADA EMERGENCY WAGE SUBSIDY

Included in revenue from projects is \$97,981 received from the Canada Emergency Wage Subsidy (CEWS) program of which \$51,018 is recorded in accounts receivable at year end.

MIRAMICHI SALMON ASSOCIATION INC.
Notes to the Consolidated Financial Statements
(Unaudited)
December 31, 2020

4. INVESTMENTS

	Market 2020	Cost 2020	Market 2019	Cost 2019
Miramichi Forever Funds - cash	\$ 97,799	\$ 97,799	\$ 116,403	\$ 116,403
Miramichi Forever Funds - securities	1,959,351	1,675,926	1,902,780	1,663,621
	\$ 2,057,150	\$ 1,773,725	\$ 2,019,183	\$ 1,780,024

Endowment funds of \$200,000 are hypothecated to the Bank of Montreal. Market value of this account at December 31, 2020 is \$212,122 (2019 - 210,657).

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 5,200	\$ -	\$ 5,200	\$ 5,200
Office	21,727	20,355	1,372	1,714
Computer equipment and software	30,273	28,874	1,399	1,998
Display system	3,322	3,277	45	56
Vehicles	151,995	116,715	35,280	56,742
Leasehold improvements	2,241,268	1,314,520	926,748	1,038,812
	2,453,785	1,483,741	970,044	1,104,522
Contribution - Hatchery renovations	(456,874)	(81,365)	(375,509)	(398,353)
Contribution - Centre of Excellence	(1,434,228)	(1,033,207)	(401,021)	(472,732)
	(1,891,102)	(1,114,572)	(776,530)	(871,085)
	\$ 562,683	\$ 369,169	\$ 193,514	\$ 233,437

6. BANK INDEBTEDNESS

The association has a \$100,000 line of credit available of which \$72,310 was in use as of year end. Security has been pledged by way of investments with a fair market value of \$212,122.

MIRAMICHI SALMON ASSOCIATION INC.
Notes to the Consolidated Financial Statements
(Unaudited)
December 31, 2020

7. LONG-TERM DEBT

	2020	2019
1.99% term loan from the Bank of Nova Scotia repayable in blended interest and principal payments of \$860 per month until May 2024, secured by a vehicle with a carrying value of \$30,685.	\$ 34,055	\$ 43,591
Repaid during the year	-	3,276
	34,055	46,867
Less: Amount due within one year	9,729	12,814
	\$ 24,326	\$ 34,053
Principal repayments of long-term debt are due as follows:		
2020	\$ 9,729	
2021	9,924	
2022	10,123	
2023	4,278	
	\$ 34,054	

8. TRANSFERS FROM MIRAMICHI SALMON ASSOCIATION (U.S.) INC.

Early in 1994, with prior authorization and approval from Miramichi Salmon Association Inc. (MSA), this affiliated organization was created by American members of MSA for the purpose of allowing membership contributions and other donations in support of MSA programs and projects to be eligible for USA donation receipts within the provisions of regulation 501 (c)(3) of the United States Internal Revenue Service.

The accounts of the Miramichi Salmon Association (U.S.) Inc. have not been combined in these financial statements.

During the year, the following contributions were made from Miramichi Salmon Association (U.S.) Inc. to the Miramichi Salmon Association Inc. (Canada):

	2020	2019
Operating fund	\$ 84,090	\$ 99,389
Endowment fund	-	-
Discretionary fund	-	-
Total received	84,090	\$ 99,389

9. COMMITMENTS

The association leases land, buildings and equipment from Miramichi Watershed Management Committee Inc. The lease term is for a period of 33 years at an annual cost of \$1 which terminates on December 31, 2045.

10. DISCONTINUED OPERATIONS

On December 31, 2020, the partnership between Miramichi Fisheries Management Ltd. and The Collaboration for Atlantic Salmon Tomorrow (CAST) to fund the smolt-to-adult salmon rearing program ended. There is an outstanding receivable from CAST for \$384,927 at year end of which management is confident of collection. Accordingly, the operations have been treated as discontinued operations in the 2020 financial statements and the comparative balances for 2019 have been restated.

The operating results of discontinued operations are summarized below:

	2020	2019
REVENUE	\$ 478,780	\$ 595,372
EXPENDITURES		
Insurance	\$ 48,867	\$ 36,991
Office supplies	817	4,219
Project: Fish maintenance	117,784	111,857
Property taxes	3,513	3,516
Repairs and maintenance	41,262	67,996
Shipping costs	5,825	5,639
Telephone	2,597	2,535
Travel and automotive	7,519	8,392
Utilities	70,785	81,897
Wages and benefits	63,104	108,982
Wages and benefits (MSA)	114,112	142,927
TOTAL EXPENDITURES	\$ 476,185	\$ 574,951
EXCESS REVENUE OVER EXPENDITURES	\$ 2,595	\$ 20,421

11. CENTRE OF EXCELLENCE

During the year ended December 31, 2008, work was performed on the Centre of Excellence. The total cost of the project was approximately \$1,670,000 which was financed through non-repayable contributions from Atlantic Canada Opportunities Agency, the Province of New Brunswick and an investment by Miramichi Salmon Association Inc.

During 2014, further improvements to the hatchery were completed for a total cost of \$306,960 and a contribution from Miramichi Regional Economic Development and Innovation Fund was received in the amount of \$83,000.

During the year ended December 31, 2017, additional leasehold improvements were completed to a green house and the hatchery which were funded by a contribution from the Collaboration for Atlantic Salmon Tomorrow (CAST) for a total cost of \$194,593.

During the year ended December 31, 2018, additional leasehold improvements were completed to a green house which were funded by a contribution from the Collaboration for Atlantic Salmon Tomorrow (CAST) for a total cost of \$179,281.

The leasehold improvements and related deferred contributions related to these projects are being amortized on a straight-line basis over 20 years, the expected useful life of the improvements.

During the year, amortization of \$112,064 (2019 - \$112,064) was recorded on the leasehold improvements and offset by amortization of \$94,555 (2019 - \$94,555) on the deferred contribution.

12. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash and cash equivalents, investments, accounts receivable and accounts payable and accrued liabilities.

The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The association subsequently measures its financial assets and financial liabilities at amortized cost, except for securities quoted in an active market, which are subsequently measured at fair value based on quoted market values as outlined in Note 2. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and unearned revenue. The fair value of the association's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their market value due to the relatively short period to maturity of the instruments.

It is management's opinion that the association is not subject to significant amounts of currency or credit risk arising from these instruments.

The association's exposure to interest rate risk is limited to the portion of its investments that are subject to market price fluctuations based on changes in interest rates. The association's interest earning investments are subject to fixed rates.

It is management's opinion that there have been no significant changes to the above risks during the period.

13. MAINTENANCE CONTRACT

During the year, the association has been subcontracted by the Province of New Brunswick to administrate the salmon protection barriers operation on the Dungarvon and Northwest Miramichi Rivers. The agreement provides \$200,000 annually to cover employee salaries, travel and necessary supplies. In prior years, the association had been subcontracted by Miramichi Watershed Management Committee Inc. (MWMCI) to carry out the maintenance of infrastructure for Crown reserve angling stretches for the Department of Natural Resources. MWMCI received \$100,000 as per the terms of the agreement and submitted \$95,000 to Miramichi Fisheries Management Ltd. for work performed.

The operating costs associated with these contracts are summarized below:

	2020	2019
Materials and supplies	\$ 13,553	\$ 4,348
Trail and camp maintenance	-	13,697
Travel and automotive	15,175	16,164
Wages and benefits	135,516	50,792
	<hr/>	<hr/>
Total expenses	\$ 164,244	\$ 85,001

14. SUBSEQUENT EVENTS

In March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, social and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the company in future periods.

MIRAMICHI SALMON ASSOCIATION INC.
Schedule 1 - Capital Contributions
(Unaudited) - see notice to reader
As at December 31, 2020

	Pledged
Bruno Bobak	\$ 400,000
Bud and Peggy Bird	200,000
David and Elizabeth Wilson	25,000
Denis and Cecile Losier	25,000
Doug and Gloria MacDonald	100,000
Ernie and Susanne McFadzen	25,000
Frank and Julie McKenna	25,000
Hon. Michael E. Meighen	25,000
J.D. Irving	150,000
Jacqueline Girouard	25,000
John E. Irving Family	35,000
Kaley Family	25,000
Kevin Harris	25,000
Laurie Savage Family	25,000
McQuaid Family	40,000
Punchy Walker	26,132
Rex Freeze	60,000
Samuel E. Burgess	25,000
Scotia Bank	26,000
TD Bank Community Relations	25,000
The Nortons of Upper Oxbow	25,000
Other pledges and donations	792,016
Total pledged	\$ 2,129,148

Notice to Reader

On the basis of information provided by management, we have compiled the schedule of capital contributions as at December 31, 2020.

We have not performed an audit or review engagement in respect of this schedule and, accordingly, we express no assurance thereon.

Readers are cautioned that this schedule may not be appropriate for their purposes.

MIRAMICHI SALMON ASSOCIATION INC.
Schedule 2 - Miramichi Salmon Association (U.S.) Inc. Capital Contributions
(Unaudited) - see notice to reader
As at December 31, 2020

	Pledged
Barrow Family	\$ 25,000
Black Brook Salmon Club	25,000
John Dillon	25,000
International Paper Foundation	200,000
J. Louis Newell, Jr.	25,000
Amy and Joe Perella	100,000
Porter Brook Lodge	40,000
Salmon Brook Camp	25,000
Other pledges and donations	359,820
Total pledged	\$ 824,820

Notice to Reader

On the basis of information provided by management, we have compiled the schedule of Miramichi Salmon Association (U.S.) Inc. capital contributions as at December 31, 2020.

We have not performed an audit or review engagement in respect of this schedule and, accordingly, we express no assurance thereon.

Readers are cautioned that this schedule may not be appropriate for their purposes.