



Financial statements

Sherbrooke Restoration Commission

March 31, 2011

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Independent auditors' report

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To the members of
Sherbrooke Restoration Commission

We have audited the accompanying financial statements of the Sherbrooke Restoration Commission, which comprise the balance sheet as at March 31, 2011, and the statements of operations, fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of the Commission based on the accounting principles adopted for museum boards in the Province of Nova Scotia.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles adopted for museum boards in the Province of Nova Scotia, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Sherbrooke Restoration Commission as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles adopted for museum boards in the Province of Nova Scotia.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Commission to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Sherbrooke Restoration Commission and the Province of Nova Scotia and should not be distributed to or used by parties other than the Sherbrooke Restoration Commission and the Province of Nova Scotia.

New Glasgow, Nova Scotia
June 23, 2011

Grant Thornton LLP

Chartered accountants

Sherbrooke Restoration Commission

Statement of operations

Year ended March 31

2011

2010

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Revenue			
Operating grants			
Board of Governors of the Nova Scotia Museum	\$ 1,786,392	\$ 1,786,392	\$ 1,786,392
Program revenue (Schedule 2)	372,300	380,998	403,113
Other			
Development Society	-	6,000	24,760
Gate admissions	90,000	83,720	87,665
Government capital grants	47,000	48,205	61,527
Municipal grants	10,600	4,000	10,600
Interest	-	2,328	107
Miscellaneous	4,000	3,883	4,339
Total revenue	<u>2,310,292</u>	<u>2,315,526</u>	<u>2,378,503</u>
Expenditures			
General operating (Schedule 1)	979,600	993,733	871,617
Program (Schedule 2)	1,243,570	1,339,830	1,212,503
Capital	90,000	78,372	81,807
Total expenditures	<u>2,313,170</u>	<u>2,411,935</u>	<u>2,165,927</u>
Excess of expenditures over revenue	\$ <u>(2,878)</u>	\$ <u>(96,409)</u>	\$ <u>212,576</u>

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of fund balances

Year ended March 31 2011 2010

Investment in Capital Assets

Balance, beginning of year	\$	4,437,702	\$	4,416,715
Additions				
Furnishings and equipment		<u>11,200</u>		<u>20,987</u>
Balance, end of year	\$	<u>4,448,902</u>	\$	<u>4,437,702</u>

Reserve for Development

Balance, beginning of year	\$	423,221	\$	222,330
Transfer (to) from operating fund surplus		(200,000)		200,000
Interest on GIC		<u>669</u>		<u>891</u>
Balance, end of year	\$	<u>223,890</u>	\$	<u>423,221</u>

Operating Fund Surplus

Balance, beginning of year	\$	112,655	\$	100,079
Excess of expenditures over revenue		<u>(96,409)</u>		<u>212,576</u>
		16,246		312,655
Transfer from (to) reserve for development		<u>200,000</u>		<u>(200,000)</u>
Balance, end of year	\$	<u>216,246</u>	\$	<u>112,655</u>

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Balance sheet

March 31

2011

2010

Assets

Current

Cash and cash equivalents	\$	78,843	\$	31,866
Guaranteed Investment Certificate (GIC) (Note 3)		223,890		423,221
Receivables		99,905		86,689
Inventory		131,797		119,402
Prepays		4,921		1,484
Accrued benefit asset (Note 4)		<u>129,174</u>		<u>25,084</u>
		668,530		687,746

Capital assets (Note 2)

		<u>4,448,902</u>		<u>4,437,702</u>
	\$	<u>5,117,432</u>	\$	<u>5,125,448</u>

Liabilities

Current

Payables	\$	193,684	\$	109,905
Deferred revenue (Note 5)		<u>34,710</u>		<u>41,965</u>
		<u>228,394</u>		<u>151,870</u>

Equity

Investment in capital assets (Page 3)		4,448,902		4,437,702
Reserve for development (Page 3)		223,890		423,221
Operating fund surplus (Page 3)		<u>216,246</u>		<u>112,655</u>
		<u>4,889,038</u>		<u>4,973,578</u>
	\$	<u>5,117,432</u>	\$	<u>5,125,448</u>

Approved on behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of cash flows

Year ended March 31 2011 2010

Increase (decrease) in cash and cash equivalents

Operating		
(Deficiency) excess of revenue over expenditures	\$ (96,409)	\$ 212,576
Non-cash items		
Accrued benefit asset	(104,090)	(4,458)
Capital expenditures charged to operations	<u>11,200</u>	<u>20,987</u>
	(189,299)	229,105
Changes in non-cash operating working capital (Note 6)		
	<u>47,476</u>	<u>(77,158)</u>
	(141,823)	151,947
Investing		
Additions to capital assets	(11,200)	(20,987)
Transfer from (to) reserve for development, net	<u>200,000</u>	<u>(200,000)</u>
	188,800	(220,987)
Net change in cash and cash equivalents	46,977	(69,040)
Cash and cash equivalents		
Beginning of year	<u>31,866</u>	<u>100,906</u>
End of year	\$ <u>78,843</u>	\$ <u>31,866</u>

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2011

1. Nature of operations

The Commission operates the Sherbrooke Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because amortization is not recorded on capital assets and capital expenditures are included in the statement of operations.

Fund accounting

The assets and liabilities of the Commission are segregated into three funds: investment in capital assets, reserve for development, and operating fund surplus. The operating fund assets and liabilities are those which are used for the general operations of the Commission. The investment in capital assets comprises the capital assets held on behalf of the Province of Nova Scotia. The reserve for development fund assets is for the future development of the Village.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank and cash on hand.

Capital assets

Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets. No provision for depreciation has been taken on the capital assets.

Employee future benefit obligations

The cost of the defined benefit pension plan is accrued based on actuarial valuations, which are determined using the projected unit credit costing method pro-rated on service and management's best estimate of the expected long-term rate of return on plan assets, salary, escalation, retirement ages and expected growth rate of health care costs.

Revenue recognition

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 deferred until the related expenditures are recognized.

Government grants

Government grants relating to operations are reflected as revenue in the operating fund.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2011

2. Summary of significant accounting policies (cont.)

Use of estimates

The preparation of financial statements in conformity with accounting principles adopted for museum boards in Nova Scotia requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Certain of these estimates require subjective or complex judgements by management that may be uncertain. Some of these items include the valuation of inventory and allowance for doubtful accounts. Changes to these estimates could materially impact the financial statements. These estimates are based on management's best knowledge of current events and actions that the Commission may undertake in the future. Actual results could differ from these estimates.

Risk management

The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Commission include credit and liquidity risks. See Note 8.

Capital management

The Commission manages its capital structure and makes adjustments to it based on funds available to the Commission. The Board of Directors does not establish quantitative returns on capital criteria for management, but rather relies on the expertise of the Commission's management to sustain future development of the Commission.

Inventory

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Commission estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

3. Guaranteed Investment Certificate (GIC)

Total internally restricted cash at year end is \$223,890 and is held in GIC's that mature March, 2012. This fund is for capital items that fulfil the long term objectives of the Commission, such as enhancements.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2011

4. Pension Plan

The Commission operates a defined benefit pension plan for all permanent employees which provide benefits to employees upon retirement based on length of service and average earnings during employment as defined. The most recent actuarial projection covered the financial position of the plan as at March 31, 2011.

The actuary providing the accrued benefit asset/liabilities calculation follows the guidelines outlined in CICA 3461 for Employee Future Benefits, regarding adjustments to the accrued benefit asset/liabilities. These guidelines state that any adjustment to the accrued benefit asset/liability should reflect the actual employee contribution made during the fiscal year. Therefore, the calculation of the accrued benefit asset/liability for fiscal 2011 includes all employee contributions made between January 1, 2007 and March 31, 2011.

Information about the Commission's pension plan is as follows:

	<u>2011</u>	<u>2010</u>
Fair value of plan assets	\$ 1,777,700	\$ 1,495,100
Accrued benefit obligation	<u>2,305,000</u>	<u>1,845,000</u>
Funded status – plan deficit	\$ <u>(527,300)</u>	\$ <u>(349,900)</u>
Accrued benefit (asset) liability	\$ <u>(129,174)</u>	\$ <u>(25,084)</u>

The significant actuarial assumptions adopted in valuing the plan are:

	<u>2011</u>	<u>2010</u>
Discount rate	5.60%	6.40%
Rate of compensation increase	3.00%	3.00%
Expected return on the plan assets	6.50%	6.50%

Other relevant disclosures include:

	<u>2011</u>	<u>2010</u>
Plan contributions	\$ <u>199,775</u>	\$ <u>82,345</u>
Benefits paid	\$ <u>-</u>	\$ <u>-</u>

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2011 is \$95,686 (2010 - \$77,887).

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2011

5. Deferred revenue

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 41,965	\$ 73,692
Expenditures, net of additions	<u>(7,255)</u>	<u>(31,727)</u>
Balance, end of year	<u>\$ 34,710</u>	<u>\$ 41,965</u>

6. Changes in non-cash operating working capital

	<u>2011</u>	<u>2010</u>
Receivables	\$ (13,216)	\$ (31,761)
Inventory	(12,395)	2,950
Prepays	(3,437)	(640)
Payables	83,779	(15,980)
Deferred revenue	<u>(7,255)</u>	<u>(31,727)</u>
	<u>\$ 47,476</u>	<u>\$ (77,158)</u>

7. Inventory

	<u>2011</u>	<u>2010</u>
Raw materials	\$ 19,793	\$ 20,438
Finished goods	<u>112,004</u>	<u>98,964</u>
	<u>\$ 131,797</u>	<u>\$ 119,402</u>

8. Financial instruments

Credit risk

Credit risk is the risk of loss associated with a counterpart's inability to fulfil its payment obligations. The Commission's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Fair value of financial instruments

The book value of cash and cash equivalents, GIC's, receivables, inventory, prepaids and payables approximate fair values at March 31, 2011 due to their short term maturity, floating interest rates or fixed interest rates which approximate current market rates.

Interest rate risk

The Commission does not have any debt outstanding at March 31, 2011. Accordingly, there is no exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

Schedule 1**Sherbrooke Restoration Commission
General operating expenditures**

Year ended March 31

2011**2010**

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 45,000	\$ 33,862	\$ 35,879
Bad debts	-	10	(202)
Freight	600	108	55
Furnishings and equipment	4,000	11,200	20,987
Heat, light and power	110,000	74,825	60,958
Insurance and taxes	4,800	4,708	5,102
Interest and bank charges	6,000	2,490	3,457
Maintenance supplies	26,000	43,884	24,161
Miscellaneous	12,400	7,273	7,184
Motor vehicles	6,000	4,615	4,481
Office supplies and postage	13,500	10,118	13,168
Professional fees	30,000	21,022	29,024
Property maintenance and security salaries	205,000	178,563	166,217
Pension plan and other benefits	170,000	162,034	141,997
Salaries and wages – administration	201,500	278,583	211,877
Sewer and water	41,200	37,726	36,226
Staff and Commission training and travel	25,000	22,486	28,467
Visitor services	31,600	47,694	33,276
Telephone	20,000	18,542	20,913
Workers' compensation	<u>27,000</u>	<u>33,990</u>	<u>28,390</u>
	<u>\$ 979,600</u>	<u>\$ 993,733</u>	<u>\$ 871,617</u>

See accompanying notes to the financial statements.

Schedule 2**Sherbrooke Restoration Commission
Program revenue and expenditures**

Year ended March 31

2011**2010**

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Ambrotype studio	\$ 21,000	\$ 24,218	\$ 18,730
Blacksmith shop	21,900	22,695	18,168
Wardrobe shop	39,500	36,521	37,293
Weaving shop	31,400	29,437	33,464
Hands on history	30,000	37,774	28,560
Company store (Schedule 3)	7,800	7,738	(1,949)
Interpreters	384,100	440,177	346,485
Jordan barn	60,700	58,525	54,258
Pottery shop	42,500	59,244	50,228
Program management	111,270	83,396	97,283
Restaurant (Schedule 3)	19,000	37,421	28,388
Print shop	(1,000)	(320)	(2,031)
Sawmill operations	48,000	42,989	34,068
Special events	(11,000)	(7,895)	(10,493)
Turner shop	37,000	33,746	41,978
Woodworking shop	<u>29,100</u>	<u>53,166</u>	<u>34,960</u>
	\$ 871,270	\$ 958,832	\$ 809,390

Program expenditures	\$ 1,243,570	\$ 1,339,830	\$ 1,212,503
Less: Program revenue	<u>372,300</u>	<u>380,998</u>	<u>403,113</u>
Net expenditures	\$ 871,270	\$ 958,832	\$ 809,390

See accompanying notes to the financial statements.

Schedule 3**Sherbrooke Restoration Commission**
Retail operations

Year ended March 31

2011**2010**

Company Store

Revenue

Sales \$ 122,356 \$ 116,762

Cost of goods sold

Merchandise inventory, opening **31,932** 26,998Purchases **94,397** 69,138Merchandise available for sale **126,329** 96,136Less: Merchandise inventory, ending **53,824** 31,932Cost of goods sold **72,505** 64,204Gross profit **49,851** 52,558

Expenses

Salaries and wages **50,933** 46,642General expense **6,656** 3,967**57,589** 50,609Net (loss) income \$ **(7,738)** \$ 1,949**Restaurant**

Revenue

Sales \$ 55,038 \$ 50,572

Cost of goods sold

Restaurant inventory, opening **1,066** 1,046Purchases **18,782** 13,596Merchandise available for sale **19,848** 14,642Less: Restaurant inventory, ending **663** 1,066Cost of goods sold **19,185** 13,576Gross profit **35,853** 36,996

Expenses

Salaries and wages **66,652** 58,244General expense **6,622** 7,140**73,274** 65,384Net loss \$ **(37,421)** \$ (28,388)