

Financial statements

Sherbrooke Restoration Commission

March 31, 2014

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## Independent auditor's 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 statement of financial position as at March 31, 2014, and the statements of financial activities, changes in net financial liabilities and changes in financial position 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 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.

### 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, 2014, and the results of its financial activities, changes in net financial liabilities and changes in financial position for the year then ended in accordance Canadian public sector accounting standards.



New Glasgow, Canada  
June 25, 2014

Chartered Accountants

# Sherbrooke Restoration Commission

## Statement of financial activities

Year ended March 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Operating grants			
Board of Governors of the Nova Scotia Museum	\$ 1,715,392	\$ 1,715,568	\$ 1,786,392
Program revenue (Schedule 2)	343,900	304,589	287,239
Other			
Development Society	14,015	21,906	11,175
Gate admissions	100,000	74,707	75,496
Government capital maintenance grants	50,000	62,850	55,098
Interest	1,000	3,957	4,885
Miscellaneous	18,000	8,532	17,212
Municipal grants	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<b>Total revenues</b>	<u>2,242,307</u>	<u>2,202,109</u>	<u>2,247,497</u>
<b>Expenditures</b>			
General operating (Schedule 1)	1,144,685	1,023,752	1,017,765
Program (Schedule 2)	1,137,979	1,118,177	1,233,019
Capital maintenance	<u>110,000</u>	<u>77,578</u>	<u>96,902</u>
<b>Total expenditures</b>	<u>2,392,664</u>	<u>2,219,507</u>	<u>2,347,686</u>
<b>Excess of expenditures over revenues</b>	<b>\$ <u>(150,357)</u></b>	<b>\$ <u>(17,398)</u></b>	<b>\$ <u>(100,189)</u></b>
<hr/>			
<b>Accumulated deficit, beginning of year</b>		<b>\$ (345,977)</b>	<b>\$ (245,788)</b>
<b>Excess of expenditures over revenues</b>		<u>(17,398)</u>	<u>(100,189)</u>
<b>Accumulated deficit, end of year</b>		<b>\$ <u>(363,375)</u></b>	<b>\$ <u>(345,977)</u></b>

See accompanying notes to the financial statements.

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# Sherbrooke Restoration Commission

## Statement of financial position

March 31	2014	2013
<b>Financial assets</b>		
Cash and cash equivalents	\$ 143,227	\$ 5,051
Guaranteed Investment Certificate (GIC) (Note 3)	-	150,000
Receivables	<u>29,890</u>	<u>16,007</u>
<b>Total financial assets</b>	<b>\$ <u>173,117</u></b>	<b>\$ <u>171,058</u></b>
<b>Financial liabilities</b>		
Payables	\$ 179,162	\$ 146,404
Deferred revenue (Note 4)	44,041	49,956
Accrued benefit liability (Note 5)	<u>418,678</u>	<u>426,278</u>
<b>Total financial liabilities</b>	<b><u>641,881</u></b>	<b><u>622,638</u></b>
<b>Net financial liabilities</b>	<b><u>(468,764)</u></b>	<b><u>(451,580)</u></b>
<b>Non-financial assets</b>		
Inventory (Note 6)	100,495	100,315
Prepays	<u>4,894</u>	<u>5,288</u>
	<b><u>105,389</u></b>	<b><u>105,603</u></b>
<b>Accumulated deficit (Note 3)</b>	<b>\$ <u>(363,375)</u></b>	<b>\$ <u>(345,977)</u></b>

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On behalf of the Board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the financial statements.

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## Sherbrooke Restoration Commission

### Statement of changes in net financial liabilities

Year ended March 31

2014

2013

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Excess of expenditures over revenues	\$ <u>(17,398)</u>	\$ <u>(100,189)</u>
Changes in other non-financial assets:		
(Acquisition) sale of inventory	<u>(180)</u>	19,347
Disposal of prepaids	<u>394</u>	<u>6,006</u>
	<u>214</u>	<u>25,353</u>
Change in net financial liabilities	(17,184)	(74,836)
Net financial liabilities, beginning of year	<u>(451,580)</u>	<u>(376,744)</u>
Net financial liabilities, end of year	\$ <u>(468,764)</u>	\$ <u>(451,580)</u>

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# Sherbrooke Restoration Commission

## Statement of changes in financial position

Year ended March 31

2014

2013

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Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of expenditures over revenues	\$ (17,398)	\$ (100,189)
Non-cash items		
Accrued benefit liability	<u>(7,600)</u>	<u>(65,244)</u>
	<b>(24,998)</b>	<b>(165,433)</b>
Changes in non-cash operating working capital (Note 7)	<u>13,174</u>	<u>85,024</u>
	<b>(11,824)</b>	<b>(80,409)</b>
<b>Investing</b>		
Change in Guaranteed Investment Certificate	<u>150,000</u>	<u>50,000</u>
Net change in cash and cash equivalents	<b>138,176</b>	<b>(30,409)</b>
Cash and cash equivalents		
Beginning of year	<u>5,051</u>	<u>35,460</u>
End of year	\$ <u>143,227</u>	\$ <u>5,051</u>

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See accompanying notes to the financial statements.

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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2014

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### 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.

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### 2. Summary of significant accounting policies

#### **Basis of accounting**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada and reflect the follow significant policies:

#### **Use of estimates**

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires the Commission's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Certain of these estimates require subjective or complex judgements that may be uncertain. Some of these items include the post-employment benefits, valuation of inventory and allowances for uncollectible receivables. Actual results could differ from those reported.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks and other financial institutions.

#### **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 method pro-rated on service and management's best estimate of the expected long-term rate of return on plan assets, salary, escalation and retirement ages.

#### **Revenue recognition**

Unrestricted contributions and government grants 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 and government grants are deferred until the related expenditures are recognized.

#### **Inventories**

The Commission estimates net realizable value as the amount at which 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. 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.



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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2014

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, GIC's, receivables and payables and are carried at cost which approximate their fair value.

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### 3. Accumulated deficit

As of March 31, 2013, the Commission made a motion to transfer the remaining balance of the reserve for development to the operating fund. The GIC of \$150,000 was no longer internally restricted as of March 31, 2013.

	<u>2014</u>	<u>2013</u>
<b>Reserve for development</b>		
Balance, beginning of year	\$ -	\$ 200,000
Transfer to operating fund during the year	<u>-</u>	<u>(50,000)</u>
	-	150,000
Transfer to operating fund at March 31	<u>-</u>	<u>(150,000)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>
<b>Operating fund deficit</b>		
Balance, beginning of year	\$ (345,977)	\$ (445,788)
Excess of expenditures over revenues	<b>(17,398)</b>	(100,189)
Transfer from reserve for development during the year	<u>-</u>	<u>50,000</u>
	<b>(363,375)</b>	(495,977)
Transfer from reserve for development at March 31	<u>-</u>	<u>150,000</u>
Balance, end of year	<u>\$ (363,375)</u>	<u>\$ (345,977)</u>
<b>Accumulated deficit</b>	<u>\$ (363,375)</u>	<u>\$ (345,977)</u>

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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2014

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#### 4. Deferred revenue

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 49,956	\$ 32,287
Expenditures, net of additions	<u>5,915</u>	<u>(17,669)</u>
Balance, end of year	<u>\$ 44,041</u>	<u>\$ 49,956</u>

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#### 5. 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, 2014. The data and plan provisions used to determine the results of March 31, 2014 were the same as the December 31, 2013 funding valuations.

The actuary providing the accrued benefit asset/liability calculation follows the guidelines outlined in PSAS 3250 for Employee Future Benefits, regarding adjustments to the accrued benefit asset/liability. 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 2014 includes all employee contributions made between January 1, 2007 and March 31, 2014.

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

	<u>2014</u>	<u>2013</u>
Fair value of plan assets	\$ 2,501,687	\$ 2,032,299
Accrued benefit obligation	<u>3,248,900</u>	<u>2,931,300</u>
Funded status – plan deficit	<u>(747,213)</u>	<u>(899,001)</u>
Unamortized actuarial loss current year	288,983	426,315
Employer contributions January to March	<u>39,552</u>	<u>46,408</u>
Accrued benefit liability	<u>\$ (418,678)</u>	<u>\$ (426,278)</u>

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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2014

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### 5. Pension Plan (continued)

The significant actuarial assumptions adopted in valuing the plan are:

	<u>2014</u>	<u>2013</u>
Discount rate	5.50%	6.00%
Rate of compensation increase	3.00%	3.00%
Expected return on the plan assets	5.50%	6.00%

Other relevant disclosures include:

	<u>2014</u>	<u>2013</u>
Plan contributions	\$ <u>169,930</u>	\$ <u>176,882</u>
Benefits paid	\$ <u>17,115</u>	\$ <u>11,905</u>

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2014 is:

	<u>2014</u>	<u>2013</u>
Pension adjustment for the year	\$ <u>(7,600)</u>	\$ (65,244)
Employer contributions for the year	<u>178,809</u>	<u>173,710</u>
Pension expense for the year	\$ <u>171,209</u>	\$ <u>108,466</u>

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### 6. Inventory

	<u>2014</u>	<u>2013</u>
Raw materials	\$ <u>53,852</u>	\$ 44,723
Finished goods	<u>46,643</u>	<u>55,592</u>
	\$ <u>100,495</u>	\$ <u>100,315</u>

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### 7. Changes in non-cash operating working capital

	<u>2014</u>	<u>2013</u>
Receivables	\$ <u>(13,883)</u>	\$ (2,617)
Inventory	<u>(180)</u>	19,347
Prepays	394	6,006
Payables	32,758	44,619
Deferred revenue	<u>(5,915)</u>	<u>17,669</u>
	\$ <u>13,174</u>	\$ <u>85,024</u>

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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2014

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### 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 and payables approximate fair values at March 31, 2014 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, 2014. 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.

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### 9. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

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

Year ended March 31

**2014****2013**

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 35,000	\$ 38,269	\$ 38,851
Bad debts (recovery)	-	(1,121)	209
Freight	300	12	134
Furnishings and equipment	2,500	13,301	3,353
Heat, light and power	66,500	84,286	79,550
Insurance and taxes	2,500	3,060	2,435
Interest and bank charges	8,800	9,386	2,107
Maintenance supplies	49,342	30,859	35,509
Miscellaneous	3,200	3,600	7,223
Motor vehicles	5,000	9,361	9,181
Office supplies and postage	10,500	15,549	13,625
Professional fees	20,000	21,763	13,595
Property maintenance and security salaries	193,729	182,272	187,657
Pension plan and other benefits	305,690	227,897	174,167
Salaries and wages – administration	341,074	228,713	278,855
Salaries and wages – retroactive	-	23,596	-
Sewer and water	34,000	36,804	37,726
Staff and commission training and travel	29,000	24,774	42,199
Visitor services	4,400	36,785	51,102
Telephone	18,000	14,397	19,555
Workers' compensation	<u>15,150</u>	<u>20,189</u>	<u>20,732</u>
	<b>\$1,144,685</b>	<b>\$ 1,023,752</b>	<b>\$1,017,765</b>

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See accompanying notes to the financial statements.

# Sherbrooke Restoration Commission

## Program revenue and expenditures

## Schedule 2

Year ended March 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Ambrotype studio	\$ 15,000	\$ 11,495	\$ 13,982
Blacksmith shop	4,000	1,710	1,802
Wardrobe shop	-	43	288
Weaving shop	6,000	3,164	3,761
Hands on history	45,000	42,760	34,911
Company store (Schedule 3)	100,000	90,060	97,682
Interpreters	21,500	18,429	14,551
Jordan barn	-	-	200
Pottery shop	8,000	752	769
Restaurant (Schedule 3)	60,000	48,803	53,899
Print shop	-	-	260
Sawmill operations	900	262	450
Special events	29,000	24,191	25,854
Turner shop	5,000	12,479	10,983
Woodworking shop	<u>49,500</u>	<u>50,441</u>	<u>27,847</u>
	<u>343,900</u>	<u>304,589</u>	<u>287,239</u>
<b>Expenditures</b>			
Ambrotype studio	30,376	28,930	32,874
Blacksmith shop	21,060	18,751	19,566
Wardrobe shop	40,257	37,545	36,142
Weaving shop	42,649	37,824	44,104
Hands on history	71,799	65,515	62,053
Company store (Schedule 3)	77,914	95,024	116,011
Interpreters	441,644	389,467	444,300
Jordan barn	54,649	75,020	56,842
Pottery shop	58,681	14,176	22,889
Program management	-	87,949	86,687
Restaurant (Schedule 3)	70,580	71,771	81,548
Print shop	1,500	123	598
Sawmill operations	51,576	45,093	64,341
Special events	15,000	15,449	24,720
Turner shop	58,868	51,781	58,695
Woodworking shop	<u>101,426</u>	<u>83,759</u>	<u>81,649</u>
	<u>1,137,979</u>	<u>1,118,177</u>	<u>1,233,019</u>
Net expenditures	\$ <u>794,079</u>	\$ <u>813,588</u>	\$ <u>945,780</u>

See accompanying notes to the financial statements.

# Sherbrooke Restoration Commission

## Retail operations

## Schedule 3

Year ended March 31

2014

2013

### Company Store

#### Revenue

Sales	\$ <u>90,060</u>	\$ <u>97,682</u>
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#### Cost of goods sold

Merchandise inventory, opening	39,780	43,052
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Purchases	<u>46,681</u>	<u>57,754</u>
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Merchandise available for sale	86,461	100,806
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Less: Merchandise inventory, ending	<u>35,544</u>	<u>39,780</u>
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Cost of goods sold	<u>50,917</u>	<u>61,026</u>
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Gross profit	<u>39,143</u>	<u>36,656</u>
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#### Expenses

Salaries and wages	43,817	52,426
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General expense	<u>290</u>	<u>2,559</u>
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	<u>44,107</u>	<u>54,985</u>
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Net loss	\$ <u>(4,964)</u>	\$ <u>(18,329)</u>
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### Restaurant

#### Revenue

Sales	\$ <u>48,803</u>	\$ <u>53,899</u>
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#### Cost of goods sold

Restaurant inventory, opening	1,610	890
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Purchases	<u>8,982</u>	<u>13,392</u>
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Merchandise available for sale	10,592	14,282
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Less: Restaurant inventory, ending	<u>-</u>	<u>1,610</u>
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Cost of goods sold	<u>10,592</u>	<u>12,672</u>
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Gross profit	<u>38,211</u>	<u>41,227</u>
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#### Expenses

Salaries and wages	53,796	59,738
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General expense	<u>7,383</u>	<u>9,138</u>
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	<u>61,179</u>	<u>68,876</u>
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Net loss	\$ <u>(22,968)</u>	\$ <u>(27,649)</u>
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