

Financial statements

Sherbrooke Restoration Commission

March 31, 2015

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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, 2015, 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, 2015, 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 29, 2015

Chartered Accountants

# Sherbrooke Restoration Commission

## Statement of financial activities

Year ended March 31

2015

2014

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Operating grants			
Board of Governors of the Nova Scotia Museum	\$ 1,715,278	\$ 1,747,857	\$ 1,715,568
Program revenue (Schedule 2)	355,197	303,557	304,589
Other			
Development Society	30,000	34,795	21,906
Gate admissions	100,000	84,981	74,707
Government capital maintenance grants	55,600	42,094	62,850
Interest	1,000	1,796	3,957
Miscellaneous	18,000	874	8,532
Municipal grants	<u>10,000</u>	<u>9,000</u>	<u>10,000</u>
<b>Total revenues</b>	<u>2,285,075</u>	<u>2,224,954</u>	<u>2,202,109</u>
<b>Expenditures</b>			
General operating (Schedule 1)	1,138,514	996,168	1,076,128
Program (Schedule 2)	1,038,768	1,081,564	1,065,801
Capital maintenance	<u>190,000</u>	<u>68,262</u>	<u>77,578</u>
<b>Total expenditures</b>	<u>2,367,282</u>	<u>2,145,994</u>	<u>2,219,507</u>
<b>Excess of (expenditures over revenues) revenues over expenditures</b>	<b>\$ <u>(82,207)</u></b>	<b>\$ <u>78,960</u></b>	<b>\$ <u>(17,398)</u></b>
<hr/>			
<b>Accumulated deficit, beginning of year</b>		<b>\$ (363,375)</b>	<b>\$ (345,977)</b>
<b>Excess of (expenditures over revenues) revenues over expenditures</b>		<u>78,960</u>	<u>(17,398)</u>
<b>Accumulated deficit, end of year</b>		<b>\$ <u>(284,415)</u></b>	<b>\$ <u>(363,375)</u></b>

See accompanying Notes to the financial statements.

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# Sherbrooke Restoration Commission

## Statement of financial position

March 31	2015	2014
<b>Financial assets</b>		
Cash and cash equivalents	\$ 104,312	\$ 143,227
Receivables	<u>69,732</u>	<u>29,890</u>
<b>Total financial assets</b>	<b>\$ <u>174,044</u></b>	<b>\$ <u>173,117</u></b>
<b>Financial liabilities</b>		
Payables	\$ 102,902	\$ 179,162
Deferred revenue (Note 4)	42,817	44,041
Accrued benefit liability (Note 5)	<u>385,099</u>	<u>418,678</u>
<b>Total financial liabilities</b>	<b><u>530,818</u></b>	<b><u>641,881</u></b>
<b>Net financial liabilities</b>	<b><u>(356,774)</u></b>	<b><u>(468,764)</u></b>
<b>Non-financial assets</b>		
Inventory (Note 6)	72,359	100,495
Prepays	<u>-</u>	<u>4,894</u>
	<b><u>72,359</u></b>	<b><u>105,389</u></b>
<b>Accumulated deficit (Note 3)</b>	<b>\$ <u>(284,415)</u></b>	<b>\$ <u>(363,375)</u></b>

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

2015

2014

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Excess of revenues over expenditures (expenditures over revenues)	\$ <u>78,960</u>	\$ <u>(17,398)</u>
Change in other non-financial assets:		
Inventory	28,136	(180)
Prepays	<u>4,894</u>	<u>394</u>
	<u>33,030</u>	<u>214</u>
	111,990	(17,184)
Net financial liabilities, beginning of year	<u>(468,764)</u>	<u>(451,580)</u>
Net financial liabilities, end of year	\$ <u>(356,774)</u>	\$ <u>(468,764)</u>

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## Sherbrooke Restoration Commission

### Statement of changes in financial position

Year ended March 31

2015

2014

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenues over expenditures (expenditures over revenues)	\$ 78,960	\$ (17,398)
Non-cash items		
Accrued benefit liability	<u>(33,579)</u>	<u>(7,600)</u>
	45,381	(24,998)
Change in non-cash operating working capital (Note 7)	<u>(84,296)</u>	<u>13,174</u>
	<u>(38,915)</u>	<u>(11,824)</u>
<b>Investing</b>		
Change in Guaranteed Investment Certificate	<u>-</u>	<u>150,000</u>
Net change in cash and cash equivalents	(38,915)	138,176
Cash and cash equivalents		
Beginning of year	<u>143,227</u>	<u>5,051</u>
End of year	\$ <u>104,312</u>	\$ <u>143,227</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, 2015

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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 (CPA) 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.

#### Capital assets

Capital assets are recorded as expenditures. Capital expenditures since 1974 have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets. As of March 31, 2015, the Commission spent \$Nil (2014: \$Nil) on capital items.

#### 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, 2015

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

#### Financial instruments

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

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### 3. Accumulated deficit

	<u>2015</u>	<u>2014</u>
<b>Operating fund deficit</b>		
Balance, beginning of year	\$ (363,375)	\$ (345,977)
Excess of revenues over expenditures (expenditures over revenues)	<u>78,960</u>	<u>(17,398)</u>
<b>Accumulated deficit</b>	<b>\$ <u>(284,415)</u></b>	<b>\$ <u>(363,375)</u></b>

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### 4. Deferred revenue

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 44,041	\$ 49,956
Expenditures, net of additions	<u>1,224</u>	<u>5,915</u>
Balance, end of year	<b>\$ <u>42,817</u></b>	<b>\$ <u>44,041</u></b>

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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, 2015. The data and plan provisions used to determine the results of March 31, 2015 were the same as the December 31, 2014 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 2015 includes all employee contributions made between January 1, 2007 and March 31, 2015.

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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2015

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### 5. Pension Plan (continued)

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

	<u>2015</u>	<u>2014</u>
Fair value of plan assets	\$ <b>2,841,345</b>	\$ 2,501,687
Accrued benefit obligation	<u>3,475,700</u>	<u>3,248,900</u>
Funded status – plan deficit	<b>(634,355)</b>	(747,213)
Unamortized actuarial loss current year	<b>199,759</b>	288,983
Employer contributions January to March	<u>49,497</u>	<u>39,552</u>
Accrued benefit liability	\$ <u><b>(385,099)</b></u>	\$ <u>(418,678)</u>

The significant actuarial assumptions adopted in valuing the plan are:

	<u>2015</u>	<u>2014</u>
Discount rate	<b>5.50%</b>	5.50%
Rate of compensation increase	<b>3.00%</b>	3.00%
Expected return on the plan assets	<b>5.50%</b>	5.50%

Other relevant disclosures include:

	<u>2015</u>	<u>2014</u>
Plan contributions	\$ <u><b>172,695</b></u>	\$ <u>169,930</u>
Benefits paid	\$ <u><b>59,655</b></u>	\$ <u>17,115</u>

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2015 is:

	<u>2015</u>	<u>2014</u>
Pension adjustment for the year	\$ <b>(33,579)</b>	\$ (7,600)
Employer contributions for the year	<u><b>169,334</b></u>	<u>178,809</u>
Pension expense for the year	\$ <u><b>135,755</b></u>	\$ <u>171,209</u>

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# Sherbrooke Restoration Commission

## Notes to the financial statements

March 31, 2015

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### 6. Inventory

	<u>2015</u>	<u>2014</u>
Raw materials	\$ 29,909	\$ 53,852
Finished goods	<u>42,450</u>	<u>46,643</u>
	<u>\$ 72,359</u>	<u>\$ 100,495</u>

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

	<u>2015</u>	<u>2014</u>
Receivables	\$ (39,842)	\$ (13,883)
Inventory	28,136	(180)
Prepays	4,894	394
Payables	(76,260)	32,758
Deferred revenue	<u>(1,224)</u>	<u>(5,915)</u>
	<u>\$ (84,296)</u>	<u>\$ 13,174</u>

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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, receivables and payables approximate fair values at March 31, 2015 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, 2015. 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 reclassified 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

2015

2014

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 30,886	\$ 31,724	\$ 38,269
Bad debts (recovery)	-	(57)	(1,121)
Freight	300	(12)	12
Furnishings and equipment	2,000	1,354	13,301
Heat, light and power	76,500	72,450	84,286
Insurance and taxes	1,500	1,748	3,060
Interest and bank charges	8,800	8,496	9,386
Maintenance supplies	56,000	31,273	30,859
Miscellaneous	11,000	6,858	3,600
Motor vehicles	3,000	4,063	9,361
Office supplies and postage	9,840	12,075	15,549
Professional fees	19,000	17,254	21,763
Property maintenance and security salaries	97,100	157,967	182,272
Pension plan and other benefits	320,434	191,332	227,897
Salaries and wages – administration	370,000	320,606	281,089
Salaries and wages – retroactive	-	11,686	23,596
Sewer and water	34,000	38,648	36,804
Staff and commission training and travel	17,345	6,794	24,774
Visitor services	43,809	45,735	36,785
Telephone	16,000	15,520	14,397
Workers' compensation	<u>21,000</u>	<u>20,654</u>	<u>20,189</u>
	<b><u>\$1,138,514</u></b>	<b><u>\$ 996,168</u></b>	<b><u>\$1,076,128</u></b>

See accompanying Notes to the financial statements.

# Sherbrooke Restoration Commission

## Program revenue and expenditures

## Schedule 2

Year ended March 31

2015

2014

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Ambrotype studio	\$ 15,000	\$ 11,184	\$ 11,495
Blacksmith shop	4,000	1,985	1,710
Wardrobe shop	-	15	43
Weaving shop	6,000	1,216	3,164
Hands on history	50,000	31,256	42,760
Company store (Schedule 3)	106,297	88,706	90,060
Interpreters	21,500	28,271	18,429
Jordan barn	-	96	-
Pottery shop	8,000	206	752
Restaurant (Schedule 3)	60,000	50,841	48,803
Sawmill operations	900	271	262
Special events	29,000	32,168	24,191
Turner shop	5,000	1,111	12,479
Woodworking shop	<u>49,500</u>	<u>56,231</u>	<u>50,441</u>
	<u>355,197</u>	<u>303,557</u>	<u>304,589</u>
<b>Expenditures</b>			
Ambrotype studio	28,700	32,445	28,930
Blacksmith shop	18,654	19,401	18,751
Wardrobe shop	31,000	38,800	37,545
Weaving shop	40,000	38,610	37,824
Hands on history	65,400	81,018	78,342
Company store (Schedule 3)	83,760	112,568	117,770
Interpreters	387,573	382,274	389,467
Jordan barn	52,500	85,235	75,020
Pottery shop	58,700	17,986	14,176
Restaurant (Schedule 3)	70,600	66,472	71,771
Print shop	500	462	123
Sawmill operations	45,181	33,700	45,093
Special events	10,000	16,481	15,449
Turner shop	54,200	49,820	51,781
Woodworking shop	<u>92,000</u>	<u>106,292</u>	<u>83,759</u>
	<u>1,038,768</u>	<u>1,081,564</u>	<u>1,065,801</u>
Net expenditures	\$ <u>683,571</u>	\$ <u>778,007</u>	\$ <u>761,212</u>

See accompanying Notes to the financial statements.

# Sherbrooke Restoration Commission

## Retail operations

## Schedule 3

Year ended March 31

2015

2014

### Company Store

Revenue		
Sales	\$ <u>88,706</u>	\$ <u>90,060</u>
Cost of goods sold		
Merchandise inventory, opening	35,544	39,780
Purchases	<u>33,633</u>	<u>46,681</u>
Merchandise available for sale	69,177	86,461
Less: Merchandise inventory, ending	<u>25,005</u>	<u>35,544</u>
Cost of goods sold	<u>44,172</u>	<u>50,917</u>
Gross profit	<u>44,534</u>	<u>39,143</u>
Expenses		
Salaries and wages	68,156	66,563
General expense	<u>240</u>	<u>290</u>
	<u>68,396</u>	<u>66,853</u>
Net loss	\$ <u>(23,862)</u>	\$ <u>(27,710)</u>

### Restaurant

Revenue		
Sales	\$ <u>50,841</u>	\$ <u>48,803</u>
Cost of goods sold		
Restaurant inventory, opening	-	1,610
Purchases	<u>16,054</u>	<u>8,982</u>
Merchandise available for sale	16,054	10,592
Less: Restaurant inventory, ending	<u>446</u>	<u>-</u>
Cost of goods sold	<u>15,608</u>	<u>10,592</u>
Gross profit	<u>35,233</u>	<u>38,211</u>
Expenses		
Salaries and wages	46,799	53,796
General expense	<u>4,065</u>	<u>7,383</u>
	<u>50,864</u>	<u>61,179</u>
Net loss	\$ <u>(15,631)</u>	\$ <u>(22,968)</u>