

Financial statements

Sherbrooke Restoration Commission

March 31, 2020

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Management's responsibility for financial reporting

The accompanying financial statements of the Sherbrooke Restoration Commission are the responsibility of management and have been approved by the Commission.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards as recommended by the Chartered Professional Accountants of Canada and as such include amounts that are best estimates and judgements of management.

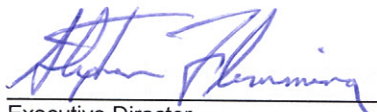
Management is responsible for the integrity and objectivity of these financial statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Commission is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The Commission meet periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external independent auditor's report.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Sherbrooke Restoration Commission and meet when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Sherbrooke Restoration Commission


Executive Director


Finance and Retail Manager

June 24, 2020

Independent auditor's report

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To the members of
Sherbrooke Restoration Commission

Opinion

We have audited the financial statements of Sherbrooke Restoration Commission ("the Entity"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net (debt) financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sherbrooke Restoration Commission as at March 31, 2020, and its results of operations, its changes in its net (debt) financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

New Glasgow, Canada
June 24, 2020

Chartered Professional Accountants

Sherbrooke Restoration Commission

Statement of operations

Year ended March 31 2020 2019

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Operating grants			
Board of Governors of the Nova Scotia Museum	\$ 1,747,857	\$ 1,747,857	\$ 1,747,857
Program revenue (Schedule 2)	280,750	321,400	306,642
Other			
Development Society	20,000	-	4,753
Gate admissions	131,000	103,229	121,361
Government capital maintenance grants	95,000	68,186	139,294
Interest	1,000	3,549	3,029
Miscellaneous	-	1,236	1,067
Provincial grants	-	11,714	330,774
Total revenues	<u>2,275,607</u>	<u>2,257,171</u>	<u>2,654,777</u>
Expenses			
General operating (Schedule 1)	1,088,542	1,228,023	1,124,392
Program (Schedule 2)	1,091,169	1,012,800	1,154,705
Capital maintenance	95,896	90,573	148,295
Total expenses	<u>2,275,607</u>	<u>2,331,396</u>	<u>2,427,392</u>
Annual (deficit) surplus	<u>\$ -</u>	<u>\$ (74,225)</u>	<u>\$ 227,385</u>
<hr/>			
Accumulated surplus (deficit), beginning of year	\$ 31,030	\$ (196,355)	
Annual (deficit) surplus		<u>(74,225)</u>	<u>227,385</u>
Accumulated (deficit) surplus, end of year	\$ <u>(43,195)</u>	\$ <u>31,030</u>	

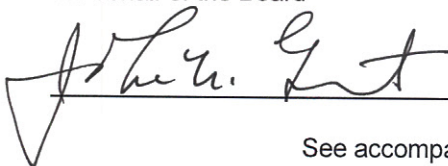
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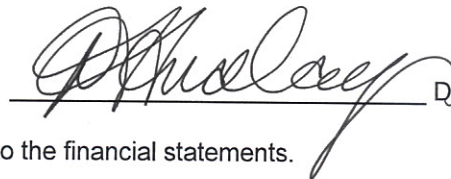
Sherbrooke Restoration Commission

Statement of financial position

March 31	2020	2019
Financial assets		
Cash and cash equivalents	\$ -	\$ 43,233
Inventory for resale	27,142	25,790
Receivables	<u>38,690</u>	<u>69,436</u>
Total financial assets	\$ <u>65,832</u>	\$ <u>138,459</u>
Financial liabilities		
Bank indebtedness	\$ 12,415	\$ -
Payables	107,421	118,254
Deferred revenue (Note 3)	<u>3,848</u>	<u>7,965</u>
Total financial liabilities	<u>123,684</u>	<u>126,219</u>
Net (debt) financial assets	<u>(57,852)</u>	<u>12,240</u>
Non-financial assets		
Inventory	11,059	12,777
Prepays	<u>3,598</u>	<u>6,013</u>
	<u>14,657</u>	<u>18,790</u>
Accumulated (deficit) surplus	\$ <u>(43,195)</u>	\$ <u>31,030</u>

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of changes in net (debt) financial assets

Year ended March 31 Budget 2020 2019

Annual (deficit) surplus	\$	-	\$	(74,225)	\$	227,385
Change in other non-financial assets:						
Inventory		-		1,718		(1,483)
Prepays		-		2,415		555
		-		4,133		(928)
		-		(70,092)		226,457
Net financial assets (debt), beginning of year		-		12,240		(214,217)
Net (debt) financial assets, end of year	\$	-	\$	(57,852)	\$	12,240

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of cash flows

Year ended March 31

2020

2019

Increase (decrease) in cash and cash equivalents

Operating			
Annual surplus	\$	(74,225)	\$ 227,385
Change in non-cash operating working capital			
Receivables		30,746	(55,073)
Inventory		366	(6,815)
Prepays		2,415	555
Payables		(10,833)	24,231
Deferred revenue		(4,117)	(248,098)
Pension asset		-	42,697
Pension transfer deficit liability		-	(305,536)
		(55,648)	(320,654)
Net change in cash and cash equivalents			
		(55,648)	(320,654)
Cash and cash equivalents (bank indebtedness)			
Beginning of year		43,233	363,887
End of year	\$	(12,415)	\$ 43,233

See accompanying Notes to the financial statements.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2020

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

Basis of accounting

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants (CPA) Canada.

Significant aspects of the accounting policies adopted by the Commission are as follows:

Use of estimates

The preparation of the financial statements in accordance 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. Estimates include the valuation of inventory, allowances for uncollectible receivables and sick leave accrual. Actual results could differ from those estimates.

Cash and cash equivalents

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

Tangible capital assets

Tangible capital assets are recorded as expenses. Capital expenses 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, 2020, the Commission spent \$Nil (2019: \$Nil) on capital items.

Post-employment benefits

The costs of the multi-employer pension plan are the employer's contributions due to the plan in the period and are accounted for as a defined contribution plan.

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. Contributions and government grants that are externally restricted such that they must be used for a specific purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenue relates to grant revenue which will be recognized in the period in which the revenue has been earned. See Note 3.

Inventory for resale

The cost of inventory comprised all costs of purchase and other cost incurred in bringing inventory to their present location and condition. Inventories are measured at the lower of cost and realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net (debt) financial assets for the year.

Budget figures

The budget figures contained in these financial statements were approved by the commission on November 7, 2018.

Deferred revenue

Deferred revenue related to operations is recognized as related expenses occur.

Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability would be recorded net of any expected recoveries. A liability for remediation of contaminated sites would be recognized when the following criteria are met.

- i. An environmental standard exists;
- ii. Contamination exceeds the environmental standard;
- iii. The commission is directly responsible, or accepts responsibility; and
- iv. A reasonable estimate of the amount can be made.

As of March 31, 2020, there are no known contaminated sites identified.

Financial instruments

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

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2020

3. Deferred revenue	<u>2020</u>	<u>2019</u>
Deposits for subsequent year programs	908	1,304
Development Society	2,940	5,247
Culture Innovation Fund: R.I.C.H.E.S.	<u>-</u>	<u>1,414</u>
	\$ <u>3,848</u>	\$ <u>7,965</u>

Deferred revenue reported on the Statement of financial position is made up of the following:

Balance, beginning of year	\$ 7,965	\$ 256,063
Contributions from		
Deposits on programs	908	1,304
Development Society	-	10,000
Culture Innovation Fund: R.I.C.H.E.S.	<u>-</u>	<u>68,500</u>
	<u>8,873</u>	<u>335,867</u>
Utilized for:		
Deposits on programs	1,304	2,363
Pension transfer deficit liability	-	246,000
Chimney repairs	-	7,700
Development Society	2,307	4,753
Culture Innovation Fund: R.I.C.H.E.S.	<u>1,414</u>	<u>67,086</u>
	<u>5,025</u>	<u>327,902</u>
Balance, end of year	\$ <u>3,848</u>	\$ <u>7,965</u>

4. Pension Plan

Commission employees are members of the Nova Scotia Public Service Superannuation Plan ("PSSP") which is considered a multi-employer pension plan. The Commission accounts for this pension plan as a defined contribution plan whereby no accrued liability is recorded and contributions paid or payable are expensed in the year. During the current year the Commission recorded a pension expense of \$56,878 (2019 - \$ 54,029).

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2020

5. Sick Leave

The Commission recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. The actuarial valuation for accumulating and non-vesting sick leave usage was completed as at March 31, 2020. No valuation was completed for March 31, 2019 fiscal year end.

This evaluation has calculated the benefit obligation for the Commission to be \$17,199 at March 31, 2020.

	<u>2020</u>
Accrued benefit obligation, beginning of year	\$ 22,720
Actuarial adjustments	(4,399)
Current service cost	2,558
Interest on obligation	430
Benefit payments	<u>(4,110)</u>
Accrued benefit obligation, end of year	<u>\$ 17,199</u>

These actuarial valuations were based on assumptions about future events. The obligation was determined using the Projected Unit Credit Method. The economic assumptions used in these valuations are the Commission's best estimate of expected rates of:

	<u>2020</u>
Discount rate	2.45%
Salary increases	2.5% - 4.5%
Retirement age	59 – 70
Sick leave days used in excess of annual accumulated rate	0.5% – 1.9%

6. Financial instruments

Fair value of financial instruments

The book value of cash and cash equivalents (bank indebtedness), receivables, payables and deferred revenue approximate fair values at March 31, 2020 due to their short term maturity.

Credit risk

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

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2020

6. Financial instruments (continued)

Interest rate risk

The Commission does not have any debt outstanding at March 31, 2020. 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.

7. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Subsequent to March 31, 2020, in response to COVID-19 and based on mandates from the provincial government the Commission delayed the opening for the 2020 season. Although this delay did not result in layoffs of fulltime or seasonal staff, seasonal staff will only be employed for 12 weeks rather than a period of 16 weeks. The Commission will also be reducing services they will offer at the Village and admissions will consist of guided tours only. Expenditures will be monitored in an effort to meet a revised budget given reduced revenues.

The Commission has assessed its ability to continue as a going concern. There is no evidence that the annual grant funding will be discontinued and based on a reduced season and reduced services the Commission still expects to operate at a revised balanced budget. At the time of the financial statement date, there is no indications the Commission will have difficulty meeting cash flow needs.

Sherbrooke Restoration Commission
General operating expenses

Schedule 1

Year ended March 31

2020

2019

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 28,000	\$ 48,665	\$ 44,886
Exhibit centre expenses	3,000	6,053	9,216
Furnishings and equipment	200	2,330	28,438
Heat, light and power	69,000	91,844	114,367
Insurance and taxes	1,000	1,553	1,542
Interest and bank charges	8,500	9,736	11,221
Maintenance supplies	10,000	69,248	62,900
Miscellaneous	2,200	12,834	18,315
Motor vehicles	7,000	9,274	8,489
Office supplies and postage	12,200	20,220	16,520
Professional fees	56,000	21,980	14,145
Property maintenance and security salaries	294,067	258,928	251,751
Pension plan and other benefits	109,000	114,571	108,243
Salaries and wages – administration	307,629	390,735	286,914
Sewer and water	36,000	37,627	37,060
Staff and commission training and travel	36,000	41,012	26,054
Visitor services	78,746	53,383	51,404
Telephone	15,000	24,120	18,813
Workers' compensation	15,000	13,910	14,114
	<u>\$1,088,542</u>	<u>\$ 1,228,023</u>	<u>\$1,124,392</u>

Sherbrooke Restoration Commission
Program revenue and expenses

Schedule 2

Year ended March 31

2020

2019

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Ambrotype studio	\$ 12,000	\$ 14,999	\$ 11,253
Blacksmith shop	7,000	4,105	5,853
Weaving shop	500	-	139
Hands on history	25,000	18,653	33,413
Company store (Schedule 3)	80,000	84,259	85,503
Interpreters	21,000	30,316	25,820
Restaurant (Schedule 3)	65,000	46,517	61,122
Sawmill operations	250	121	124
Special events	44,000	69,808	42,764
Turner shop	1,000	607	1,503
Woodworking shop	<u>25,000</u>	<u>52,015</u>	<u>39,148</u>
	<u>280,750</u>	<u>321,400</u>	<u>306,642</u>
Expenses			
Ambrotype studio	31,722	32,225	29,843
Blacksmith shop	32,548	28,992	31,835
Wardrobe shop	48,077	36,202	64,478
Weaving shop	42,261	40,408	38,990
Hands on history	82,686	76,944	92,835
Company store (Schedule 3)	121,087	91,555	123,512
Interpreters	337,758	329,758	379,568
Jordan barn	65,803	49,160	73,529
Pottery shop	17,085	16,447	17,158
Restaurant (Schedule 3)	99,995	84,181	90,562
Print shop	1,500	309	1,251
Sawmill operations	32,485	21,943	29,665
Special events	25,000	40,436	36,272
Turner shop	57,533	53,548	53,860
Woodworking shop	<u>95,629</u>	<u>110,692</u>	<u>91,347</u>
	<u>1,091,169</u>	<u>1,012,800</u>	<u>1,154,705</u>
Net expenses	\$ <u>(810,419)</u>	\$ <u>(691,400)</u>	\$ <u>848,063</u>

Sherbrooke Restoration Commission
Retail operations**Schedule 3**

Year ended March 31

2020**2019**

Company Store

Revenue

Sales \$ 84,259 \$ 85,503

Cost of goods sold

Merchandise inventory, opening 22,943 17,210Purchases 52,482 57,174Merchandise available for sale 75,425 74,384Less: Merchandise inventory, ending 23,573 22,943Cost of goods sold 51,852 51,441Gross profit 32,407 34,062

Expenses

Salaries and wages 39,703 72,071Net loss \$ (7,296) \$ (38,009)**Restaurant**

Revenue

Sales \$ 46,517 \$ 61,122

Cost of goods sold

Purchases 30,500 33,212Gross profit 16,017 27,910

Expenses

Salaries and wages 53,681 57,350Net loss \$ (37,664) \$ (29,440)