

Financial statements

Sherbrooke Restoration Commission

March 31, 2013

Contents

	Page
Independent auditors' report	1
Statement of financial activities	2
Statement of financial position	3
Statement of changes in net financial liabilities	4
Statement of changes in financial position	5
Notes to the financial statements	6 – 11
Schedule 1 – General operating expenditures	12
Schedule 2 – Program revenue and expenditures	13
Schedule 3 – Retail operations	14



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 statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of financial activities, changes in net financial liabilities and changes in financial position for the years ended March 31, 2013 and March 31, 2012, 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, 2013, March 31, 2012 and April 1, 2011, and the results of its financial activities, changes in net financial liabilities and changes in financial position for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

New Glasgow, Canada
June 26, 2013

Grant Thornton LLP

Chartered Accountants

Sherbrooke Restoration Commission

Statement of financial activities

Year ended March 31

	2013		2012
	<u>Budget</u>	<u>Actual</u>	(Restated) <u>Actual</u>
Revenues			
Operating grants			
Board of Governors of the Nova Scotia Museum	\$ 1,786,392	\$ 1,786,392	\$ 1,786,392
Program revenue (Schedule 2)	298,000	287,239	326,828
Other			
Development Society	-	11,175	-
Gate admissions	100,000	75,496	86,159
Government capital maintenance grants	50,000	55,098	50,347
Municipal grants	10,000	10,000	10,000
Interest	1,000	4,885	6,009
Miscellaneous	2,600	10,133	2,500
Total revenues	<u>2,247,992</u>	<u>2,240,418</u>	<u>2,268,235</u>
Expenditures			
General operating (Schedule 1)	1,105,144	1,010,686	937,918
Program (Schedule 2)	1,283,293	1,233,019	1,255,497
Capital maintenance	100,000	96,902	54,149
Total expenditures	<u>2,488,437</u>	<u>2,340,607</u>	<u>2,247,564</u>
Excess of (expenditures over revenues) revenues over expenditures	<u>\$ (240,445)</u>	<u>\$ (100,189)</u>	<u>\$ 20,671</u>
Accumulated deficit, beginning of year		\$ (245,788)	\$ (266,459)
Excess of (expenditures over revenues) revenues over expenditures		<u>(100,189)</u>	<u>20,671</u>
Accumulated deficit, end of year		<u>\$ (345,977)</u>	<u>\$ (245,788)</u>

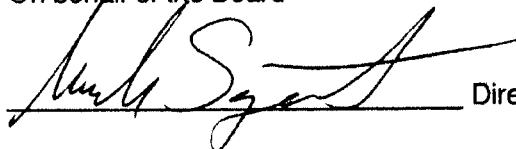
See accompanying notes to the financial statements.

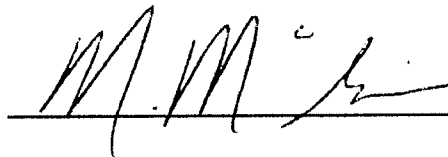
Sherbrooke Restoration Commission

Statement of financial position

March 31	2013	2012	April 1, 2011
		(Restated)	(Restated)
Financial assets			
Cash and cash equivalents	\$ 5,051	\$ 35,460	\$ 78,843
Guaranteed Investment Certificate (GIC) (Note 4)	150,000	200,000	223,890
Receivables	<u>16,007</u>	<u>13,390</u>	<u>99,905</u>
Total financial assets	\$ <u>171,058</u>	\$ <u>248,850</u>	\$ <u>402,638</u>
Financial liabilities			
Payables	\$ 146,404	\$ 101,785	\$ 193,684
Deferred revenue (Note 6)	49,956	32,287	34,710
Accrued benefit liability (Note 5)	<u>426,278</u>	<u>491,522</u>	<u>577,421</u>
Total financial liabilities	<u>622,638</u>	<u>625,594</u>	<u>805,815</u>
Net financial liabilities	<u>(451,580)</u>	<u>(376,744)</u>	<u>(403,177)</u>
Non-financial assets			
Inventory (Note 8)	100,315	119,662	131,797
Prepays	<u>5,288</u>	<u>11,294</u>	<u>4,921</u>
	<u>105,603</u>	<u>130,956</u>	<u>136,718</u>
Accumulated deficit (Note 4)	\$ <u>(345,977)</u>	\$ <u>(245,788)</u>	\$ <u>(266,459)</u>

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of changes in net financial liabilities

Year ended March 31	2013	2012	April 1, 2011
		(Restated)	(Restated)
Excess of (expenditures over revenues) revenues over expenditures	\$ <u>(100,189)</u>	\$ <u>20,671</u>	\$ <u>(802,335)</u>
Changes in other non-financial assets:			
Sale (acquisition) of inventory	19,347	12,135	(12,395)
Disposal (acquisition) of prepaids	<u>6,006</u>	<u>(6,373)</u>	<u>(3,437)</u>
	<u>25,353</u>	<u>5,762</u>	<u>(15,832)</u>
Change in net financial liabilities	(74,836)	26,433	(818,167)
Net (financial liabilities) assets, beginning of year	<u>(376,744)</u>	<u>(403,177)</u>	<u>414,990</u>
Net financial liabilities, end of year	\$ <u>(451,580)</u>	\$ <u>(376,744)</u>	\$ <u>(403,177)</u>

Sherbrooke Restoration Commission

Statement of changes in financial position

Year ended March 31

2013

2012

(Restated)

Increase (decrease) in cash and cash equivalents

Operating

Excess of (expenditures over revenues)
revenues over expenditure

\$ (100,189) \$ 20,671

Non-cash items

Accrued benefit liability

(65,244) (85,899)

(165,433) (65,228)

Changes in non-cash operating working capital (Note 7)

85,024 (2,045)

(80,409) (67,273)

Investing

Change in Guaranteed Investment Certificate

50,000 23,890

Net change in cash and cash equivalents

(30,409) (43,383)

Cash and cash equivalents

Beginning of year

35,460 78,843

End of year

\$ 5,051 \$ 35,460

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2013

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

As indicated in Note 3, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following 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, 2013, the Commission spent \$4,456,519 (2012: \$4,453,166) 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.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2013

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.

3. Impact of the change on the basis of accounting

These financial statements are the first financial statements for which the Commission has applied Canadian Public Sector Accounting Standards ("PSAS" Standards). The financial statements for the year ended March 31, 2013, were prepared in accordance with PSAS. Comparative period information presented for the year ended March 31, 2012, was prepared in accordance with PSAS and the provisions set out in Section *PS 2125 First-time adoption by government organizations*. The date of transition to PSAS is April 1, 2011. The adoption of the standards has resulted in a restatement of the statement of operations for the year ended March 31, 2012, and accumulated surplus as of April 1, 2011 and March 31, 2012. The significant impacts on the statement of operations and statement of financial position included:

- Adjustments to accrued benefit asset/liability in relation to the pension
- Capital assets previously recognized on financial statements

(a) Adjustment to the statement of financial position as at April 1, 2011:

	As previously <u>reported</u>	Adjustment <u>required</u>	<u>As restated</u>
Financial assets			
Cash and cash equivalents	78,843	-	78,843
Guaranteed Investment Certificate	223,890	-	223,890
Receivables	99,905	-	99,905
Accrued benefit asset	129,174	(129,174)	-
Financial liabilities			
Payables and accruals	193,684	-	193,684
Deferred revenue	34,710	-	34,710
Accrued benefit liability	-	577,421	577,421
Non-financial assets			
Inventory	131,797	-	131,797
Prepays	4,921	-	4,921
Capital assets	4,448,902	(4,448,902)	-
Accumulated deficit	4,889,038	(5,155,497)	(266,459)

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2013

3. Impact of the change on the basis of accounting (continued)

Explanation for adjustment to PSAS:

i) Pension accrual

PSAS requires the immediate recognition of the net transitional obligation, therefore, no further amortization are required through pension costs. Due to this change the total unamortized actuarial gains and losses have been immediately recognized.

ii) Capital assets

Capital assets were previously recorded on the balance sheet of the Commission. These expenditures were made by the Commission, however as the Province is the beneficial owner of the capital assets the April 1, 2011 balances in capital assets and investments in capital assets have been adjusted to Nil.

4. 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 is no longer internally restricted as of March 31, 2013. The GIC has an interest rate of 1.7% and a maturity date of July 25, 2014.

	<u>2013</u>	<u>2012</u>	<u>April 1, 2011</u>
Reserve for development			
Balance, beginning of year	\$ 200,000	\$ 223,890	\$ 423,221
Transfer to operating fund during the year	<u>(50,000)</u>	<u>(23,890)</u>	<u>(199,331)</u>
	150,000	200,000	223,890
Transfer to operating fund at March 31	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>-</u>	\$ <u>200,000</u>	\$ <u>223,890</u>
Operating fund (deficit) surplus			
Balance, beginning of year	\$ (445,788)	\$ (490,349)	\$ 112,655
Excess of expenditures over revenues (revenues over expenditures)	(100,189)	20,671	(802,335)
Transfer from reserve for development during the year	<u>50,000</u>	<u>-</u>	<u>-</u>
	(495,977)	(469,678)	(689,680)
Transfer from reserve for development at March 31	<u>150,000</u>	<u>23,890</u>	<u>199,331</u>
Balance, end of year	\$ <u>(345,977)</u>	\$ <u>(445,788)</u>	\$ <u>(490,349)</u>
Accumulated deficit	\$ <u>(345,977)</u>	\$ <u>(245,788)</u>	\$ <u>(266,459)</u>

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2013

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, 2013. The data and plan provisions used to determine the results of March 31, 2013 were the same as the December 31, 2012 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 2013 includes all employee contributions made between January 1, 2007 and March 31, 2013.

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

	<u>2013</u>	<u>2012</u> (Restated)	April 1, <u>2011</u> (Restated)
Fair value of plan assets	\$ 2,032,299	\$ 1,722,503	\$ 1,777,743
Accrued benefit obligation	<u>2,931,300</u>	<u>2,419,318</u>	<u>2,406,715</u>
Funded status – plan deficit	<u>(899,001)</u>	<u>(696,815)</u>	<u>(628,972)</u>
Unamortized actuarial loss current year	426,315	156,696	-
Employer contributions January to March	<u>46,408</u>	<u>48,597</u>	<u>51,551</u>
Accrued benefit liability	\$ <u>(426,278)</u>	\$ <u>(491,522)</u>	\$ <u>(577,421)</u>

The significant actuarial assumptions adopted in valuing the plan are:

	<u>2013</u>	<u>2012</u>	April 1, <u>2011</u>
Discount rate	6.00%	6.00%	6.00%
Rate of compensation increase	3.00%	3.00%	3.00%
Expected return on the plan assets	6.00%	6.00%	6.00%

Other relevant disclosures include:

	<u>2013</u>	<u>2012</u>
Plan contributions	\$ <u>176,882</u>	\$ <u>192,272</u>
Benefits paid	\$ <u>11,905</u>	\$ <u>253,835</u>

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2013

5. Pension Plan (continued)

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2013 is:

	<u>2013</u>	<u>2012</u> (Restated)
Pension adjustment for the year	\$ (65,244)	\$ (85,899)
Employer contributions for the year	<u>173,710</u>	<u>192,347</u>
Pension expense for the year	<u>\$ 108,466</u>	<u>\$ 106,448</u>

6. Deferred revenue

	<u>2013</u>	<u>2012</u>	April 1, <u>2011</u>
Balance, beginning of year	\$ 32,287	\$ 34,710	\$ 41,965
Expenditures, net of additions	<u>17,669</u>	<u>(2,423)</u>	<u>(7,255)</u>
Balance, end of year	<u>\$ 49,956</u>	<u>\$ 32,287</u>	<u>\$ 34,710</u>

7. Changes in non-cash operating working capital

	<u>2013</u>	<u>2012</u>
Receivables	\$ (2,617)	\$ 86,515
Inventory	<u>19,347</u>	<u>12,135</u>
Prepays	<u>6,006</u>	<u>(6,373)</u>
Payables	<u>44,619</u>	<u>(91,899)</u>
Deferred revenue	<u>17,669</u>	<u>(2,423)</u>
	<u>\$ 85,024</u>	<u>\$ (2,045)</u>

8. Inventory

	<u>2013</u>	<u>2012</u>	April 1, <u>2011</u>
Raw materials	\$ 44,723	\$ 38,786	\$ 21,333
Finished goods	<u>55,592</u>	<u>80,876</u>	<u>110,464</u>
	<u>\$ 100,315</u>	<u>\$ 119,662</u>	<u>\$ 131,797</u>

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2013

9. 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, 2013 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, 2013. 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.

10. Comparative figures

Certain of the 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2013.

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

Year ended March 31

2013**2012**

(Restated)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 38,000	\$ 38,851	\$ 22,704
Bad debts	-	209	1,141
Freight	300	134	115
Furnishings and equipment	4,500	3,353	4,265
Heat, light and power	71,500	79,550	65,602
Insurance and taxes	500	2,435	1,309
Interest and bank charges	2,800	2,107	1,935
Maintenance supplies	50,000	35,509	20,610
Miscellaneous	8,550	7,223	5,563
Motor vehicles	7,000	9,181	5,830
Office supplies and postage	10,500	13,625	12,825
Professional fees	27,000	13,595	16,090
Property maintenance and security salaries	213,569	187,657	174,165
Pension plan and other benefits	302,662	174,167	170,502
Salaries and wages – administration	232,500	278,855	257,114
Sewer and water	34,000	37,726	37,726
Staff and Commission training and travel	19,300	35,120	39,596
Visitor services	49,463	51,102	56,582
Telephone	18,000	19,555	21,390
Workers' compensation	15,000	20,732	22,854
	<u>\$1,105,144</u>	<u>\$ 1,010,686</u>	<u>\$ 937,918</u>

See accompanying notes to the financial statements.

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

Year ended March 31

2013

2012

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Ambrotype studio	\$ 10,000	\$ 13,982	\$ 10,321
Blacksmith shop	2,000	1,802	1,101
Wardrobe shop	-	288	56
Weaving shop	3,000	3,761	3,901
Hands on history	25,000	34,911	34,085
Company store (Schedule 3)	100,000	97,682	110,473
Interpreters	5,000	14,551	21,706
Jordan barn	-	200	-
Pottery shop	3,000	769	1,349
Restaurant (Schedule 3)	50,000	53,899	53,169
Print shop	-	260	97
Sawmill operations	7,000	450	236
Special events	20,000	25,854	29,037
Turner shop	13,000	10,983	13,375
Woodworking shop	<u>60,000</u>	<u>27,847</u>	<u>47,922</u>
	<u>298,000</u>	<u>287,239</u>	<u>326,828</u>
Expenditures			
Ambrotype studio	31,470	32,874	34,162
Blacksmith shop	23,800	19,566	22,206
Wardrobe shop	39,787	36,142	40,141
Weaving shop	42,401	44,104	36,776
Hands on history	71,799	62,053	60,399
Company store (Schedule 3)	124,938	116,011	122,506
Interpreters	431,113	444,300	441,248
Jordan barn	56,334	56,842	57,633
Pottery shop	57,821	22,889	45,378
Program management	108,574	86,687	96,369
Restaurant (Schedule 3)	74,905	81,548	81,211
Print shop	1,000	598	146
Sawmill operations	58,104	64,341	53,864
Special events	-	24,720	15,007
Turner shop	56,821	58,695	56,194
Woodworking shop	<u>104,426</u>	<u>81,649</u>	<u>92,257</u>
	<u>1,283,293</u>	<u>1,233,019</u>	<u>1,255,497</u>
Net expenditures	<u>\$ 985,293</u>	<u>\$ 945,780</u>	<u>\$ 928,669</u>

See accompanying notes to the financial statements.

Schedule 3**Sherbrooke Restoration Commission**
Retail operations

Year ended March 31

2013**2012****Company Store**

Revenue

Sales

\$ 97,682 \$ 110,473

Cost of goods sold

Merchandise inventory, opening

43,052 53,824

Purchases

57,754 55,748

Merchandise available for sale

100,806 109,572

Less: Merchandise inventory, ending

39,780 43,052

Cost of goods sold

61,026 66,520

Gross profit

36,656 43,953

Expenses

Salaries and wages

52,426 52,124

General expense

2,559 3,86254,985 55,986

Net loss

\$ (18,329) \$ (12,033)**Restaurant**

Revenue

Sales

\$ 53,899 \$ 53,169

Cost of goods sold

Restaurant inventory, opening

890 663

Purchases

13,392 17,239

Merchandise available for sale

14,282 17,902

Less: Restaurant inventory, ending

1,610 890

Cost of goods sold

12,672 17,012

Gross profit

41,227 36,157

Expenses

Salaries and wages

59,738 58,075

General expense

9,138 6,12468,876 64,199

Net loss

\$ (27,649) \$ (28,042)