

Financial statements

Sherbrooke Restoration Commission

March 31, 2016

Contents

	Page
Independent auditor's 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 – 9
Schedule 1 – General operating expenditures	10
Schedule 2 – Program revenue and expenditures	11
Schedule 3 – Retail operations	12

Independent auditor's report

Grant Thornton LLP
Suite 270, Aberdeen Business Centre
610 East River Road, PO Box 427
New Glasgow, NS
B2H 5E5
T (902) 752-8393
F (902) 752-4009
www.GrantThornton.ca

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, 2016, 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, 2016, 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.

Grant Thornton LLP

New Glasgow, Canada
June 29, 2016

Chartered Accountants

Sherbrooke Restoration Commission

Statement of financial activities

Year ended March 31

2016

2015

	<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)	324,050	285,725	303,557
Other			
Development Society	37,000	-	34,795
Gate admissions	95,000	95,273	84,981
Government capital maintenance grants	54,800	48,587	42,094
Interest	1,500	748	1,796
Miscellaneous	121,798	959	874
Municipal grants	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total revenues	<u>2,391,005</u>	<u>2,179,149</u>	<u>2,224,954</u>
Expenditures			
General operating (Schedule 1)	1,145,842	1,144,238	996,168
Program (Schedule 2)	1,129,263	1,004,054	1,081,564
Capital maintenance	<u>105,000</u>	<u>57,378</u>	<u>68,262</u>
Total expenditures	<u>2,380,105</u>	<u>2,205,670</u>	<u>2,145,994</u>
Excess of (expenditures over revenues) revenues over expenditures	\$ <u>10,900</u>	\$ <u>(26,521)</u>	\$ <u>78,960</u>
<hr/>			
Accumulated deficit, beginning of year		\$ (284,415)	\$ (363,375)
Excess of (expenditures over revenues) revenues over expenditures		<u>(26,521)</u>	<u>78,960</u>
Accumulated deficit, end of year		\$ <u>(310,936)</u>	\$ <u>(284,415)</u>

See accompanying Notes to the financial statements.

Sherbrooke Restoration Commission

Statement of financial position

March 31

2016

2015

Financial assets

Cash and cash equivalents	\$	87,860	\$	104,312
Receivables		<u>36,180</u>		<u>69,732</u>

Total financial assets

\$	<u>124,040</u>	\$	<u>174,044</u>
----	----------------	----	----------------

Financial liabilities

Payables	\$	139,344	\$	102,902
Deferred revenue (Note 4)		41,533		42,817
Accrued benefit liability (Note 5)		<u>315,747</u>		<u>385,099</u>

Total financial liabilities

	<u>496,624</u>		<u>530,818</u>
--	----------------	--	----------------

Net financial liabilities

	<u>(372,584)</u>		<u>(356,774)</u>
--	------------------	--	------------------

Non-financial assets

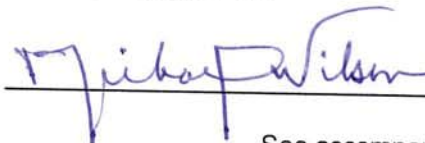
Inventory (Note 6)		59,888		72,359
Prepays		<u>1,760</u>		<u>-</u>


	<u>61,648</u>		<u>72,359</u>
--	---------------	--	---------------

Accumulated deficit (Note 3)

\$	<u>(310,936)</u>	\$	<u>(284,415)</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	2016	2015
Excess of (expenditures over revenues) revenues over expenditures	\$ <u>(26,521)</u>	\$ <u>78,960</u>
Change in other non-financial assets:		
Inventory	<u>12,471</u>	28,136
Prepays	<u>(1,760)</u>	<u>4,894</u>
	<u>10,711</u>	<u>33,030</u>
	(15,810)	111,990
Net financial liabilities, beginning of year	<u>(356,774)</u>	<u>(468,764)</u>
Net financial liabilities, end of year	\$ <u>(372,584)</u>	\$ <u>(356,774)</u>

Sherbrooke Restoration Commission

Statement of changes in financial position

Year ended March 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating			
Excess of (expenditures over revenues) revenues over expenditures	\$	(26,521)	\$ 78,960
Non-cash items			
Accrued benefit liability		(69,352)	(33,579)
		(95,873)	45,381
Change in non-cash operating working capital (Note 7)		79,421	(84,296)
Net change in cash and cash equivalents		(16,452)	(38,915)
Cash and cash equivalents			
Beginning of year		104,312	143,227
End of year	\$	87,860	\$ 104,312

See accompanying Notes to the financial statements.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2016

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 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, 2016, the Commission spent \$Nil (2015: \$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.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2016

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.

3. Accumulated deficit

	<u>2016</u>	<u>2015</u>
Operating fund deficit		
Balance, beginning of year	\$ (284,415)	\$ (363,375)
Excess of (expenditures over revenues) revenues over expenditures	<u>(26,521)</u>	<u>78,960</u>
Accumulated deficit	\$ <u>(310,936)</u>	\$ <u>(284,415)</u>

4. Deferred revenue

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 42,817	\$ 44,041
Expenditures, net of additions	<u>1,284</u>	<u>1,224</u>
Balance, end of year	\$ <u>41,533</u>	\$ <u>42,817</u>

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, 2016. The data and plan provisions used to determine the results of March 31, 2016 were the same as the December 31, 2015 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 2016 includes all employee contributions made between January 1, 2007 and March 31, 2015.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2016

5. Pension Plan (continued)

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

	<u>2016</u>	<u>2015</u>
Fair value of plan assets	\$ 3,148,439	\$ 2,841,345
Accrued benefit obligation	<u>3,715,104</u>	<u>3,475,700</u>
Funded status – plan deficit	(566,665)	(634,355)
Unamortized actuarial loss current year	197,086	199,759
Employer contributions January to March	<u>53,832</u>	<u>49,497</u>
Accrued benefit liability	\$ (315,747)	\$ (385,099)

The significant actuarial assumptions adopted in valuing the plan are:

	<u>2016</u>	<u>2015</u>
Discount rate	5.50%	5.50%
Rate of compensation increase	3.00%	3.00%
Expected return on the plan assets	5.50%	5.50%

Other relevant disclosures include:

	<u>2016</u>	<u>2015</u>
Plan contributions	\$ <u>196,776</u>	\$ <u>172,695</u>
Benefits paid	\$ <u>73,767</u>	\$ <u>59,655</u>

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2016 is:

	<u>2016</u>	<u>2015</u>
Pension adjustment for the year	\$ (69,352)	\$ (33,579)
Employer contributions for the year	<u>212,661</u>	<u>169,334</u>
Pension expense for the year	\$ 143,309	\$ 135,755

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2016

6. Inventory

	<u>2016</u>	<u>2015</u>
Raw materials	\$ 26,808	\$ 29,909
Finished goods	<u>33,080</u>	<u>42,450</u>
	<u>\$ 59,888</u>	<u>\$ 72,359</u>

7. Change in non-cash operating working capital

	<u>2016</u>	<u>2015</u>
Receivables	\$ 33,552	\$ (39,842)
Inventory	12,471	28,136
Prepays	(1,760)	4,894
Payables	36,442	(76,260)
Deferred revenue	<u>(1,284)</u>	<u>(1,224)</u>
	<u>\$ 79,421</u>	<u>\$ (84,296)</u>

8. Financial instruments

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 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, 2016 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, 2016. 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.

9. Comparative Figures

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

Sherbrooke Restoration Commission

General operating expenditures

Schedule 1

Year ended March 31

2016

2015

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 43,547	\$ 49,893	\$ 31,724
Bad debts (recovery)	-	-	(57)
Exhibit centre expenses	500	25,058	4,175
Freight	-	-	(12)
Furnishings and equipment	1,500	-	1,354
Heat, light and power	80,000	70,784	72,450
Insurance and taxes	2,500	2,041	1,748
Interest and bank charges	8,600	8,951	8,496
Maintenance supplies	26,000	36,022	31,273
Miscellaneous	6,000	12,634	2,683
Motor vehicles	5,000	7,266	4,063
Office supplies and postage	11,800	8,263	12,075
Professional fees	18,000	17,441	17,254
Property maintenance and security salaries	252,095	218,580	157,967
Pension plan and other benefits	253,000	196,662	191,332
Salaries and wages – administration	299,000	238,503	320,606
Salaries and wages – retroactive	-	116,474	11,686
Sewer and water	34,000	35,830	38,648
Staff and commission training and travel	22,100	19,405	6,794
Visitor services	45,700	41,905	45,735
Telephone	15,500	14,812	15,520
Workers' compensation	<u>21,000</u>	<u>23,714</u>	<u>20,654</u>
	<u>\$1,145,842</u>	<u>\$ 1,144,238</u>	<u>\$ 996,168</u>

See accompanying Notes to the financial statements.

Sherbrooke Restoration Commission

Program revenue and expenditures

Schedule 2

Year ended March 31

2016

2015

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Ambrotype studio	\$ 15,000	\$ 12,665	\$ 11,184
Blacksmith shop	2,000	2,617	1,985
Wardrobe shop	-	15	15
Weaving shop	-	248	1,216
Hands on history	40,000	26,699	31,256
Company store (Schedule 3)	100,000	91,103	88,706
Interpreters	27,550	12,548	28,271
Jordan barn	-	-	96
Pottery shop	-	-	206
Restaurant (Schedule 3)	51,000	63,730	50,841
Sawmill operations	500	253	271
Special events	32,000	26,816	32,168
Turner shop	1,000	1,927	1,111
Woodworking shop	<u>55,000</u>	<u>47,104</u>	<u>56,231</u>
	<u>324,050</u>	<u>285,725</u>	<u>303,557</u>
Expenditures			
Ambrotype studio	34,300	27,285	32,445
Blacksmith shop	19,500	19,666	19,401
Wardrobe shop	51,500	50,191	38,800
Weaving shop	40,000	38,307	38,610
Hands on history	84,000	66,236	81,018
Company store (Schedule 3)	106,360	111,598	112,568
Interpreters	384,000	340,029	382,274
Jordan barn	112,503	67,680	85,235
Pottery shop	16,500	11,649	17,986
Restaurant (Schedule 3)	78,600	84,185	66,472
Print shop	500	555	462
Sawmill operations	35,000	33,248	33,700
Special events	15,000	14,732	16,481
Turner shop	55,500	51,797	49,820
Woodworking shop	<u>96,000</u>	<u>86,896</u>	<u>106,292</u>
	<u>1,129,263</u>	<u>1,004,054</u>	<u>1,081,564</u>
Net expenditures	\$ <u>805,213</u>	\$ <u>718,329</u>	\$ <u>778,007</u>

See accompanying Notes to the financial statements.

Sherbrooke Restoration Commission

Retail operations

Schedule 3

Year ended March 31

2016

2015

Company Store

Revenue		
Sales	\$ <u>91,103</u>	\$ <u>88,706</u>
Cost of goods sold		
Merchandise inventory, opening	25,005	35,544
Purchases	<u>39,000</u>	<u>33,633</u>
Merchandise available for sale	64,005	69,177
Less: Merchandise inventory, ending	<u>19,109</u>	<u>25,005</u>
Cost of goods sold	<u>44,896</u>	<u>44,172</u>
Gross profit	<u>46,207</u>	<u>44,534</u>
Expenses		
Salaries and wages	66,702	68,156
General expense	<u>-</u>	<u>240</u>
	<u>66,702</u>	<u>68,396</u>
Net loss	\$ <u>(20,495)</u>	\$ <u>(23,862)</u>

Restaurant

Revenue		
Sales	\$ <u>63,730</u>	\$ <u>50,841</u>
Cost of goods sold		
Restaurant inventory, opening	446	-
Purchases	<u>29,324</u>	<u>16,054</u>
Merchandise available for sale	29,770	16,054
Less: Restaurant inventory, ending	<u>695</u>	<u>446</u>
Cost of goods sold	<u>29,075</u>	<u>15,608</u>
Gross profit	<u>34,655</u>	<u>35,233</u>
Expenses		
Salaries and wages	55,110	46,799
General expense	<u>-</u>	<u>4,065</u>
	<u>55,110</u>	<u>50,864</u>
Net loss	\$ <u>(20,455)</u>	\$ <u>(15,631)</u>