

Financial statements

Sherbrooke Restoration Commission

March 31, 2017

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Independent auditor's report

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, 2017, and the statements of operations, changes in net debt and cash flows 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, 2017, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance Canadian public sector accounting standards.

New Glasgow, Canada
June 28, 2017



Chartered Professional Accountants
Licensed Public Accountants

Sherbrooke Restoration Commission

Statement of operations

Year ended March 31	2017		2016
	<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)	322,443	272,151	285,725
Other			
Development Society	15,220	340	-
Gate admissions	95,000	106,444	95,273
Government capital maintenance grants	50,000	59,455	48,587
Interest	2,000	538	748
Miscellaneous	1,500	435	959
Municipal grants	-	50	-
Total revenues	<u>2,234,020</u>	<u>2,187,270</u>	<u>2,179,149</u>
Expenses			
General operating (Schedule 1)	1,083,052	993,026	1,144,238
Program (Schedule 2)	1,050,922	1,091,476	1,004,054
Capital maintenance	<u>100,046</u>	<u>80,306</u>	<u>57,378</u>
Total expenses	<u>2,234,020</u>	<u>2,164,808</u>	<u>2,205,670</u>
Annual surplus (deficit)	\$ <u>-</u>	\$ <u>22,462</u>	\$ <u>(26,521)</u>
<hr/>			
Accumulated deficit, beginning of year		\$ (310,936)	\$ (284,415)
Annual surplus (deficit)		<u>22,462</u>	<u>(26,521)</u>
Accumulated deficit, end of year		\$ <u>(288,474)</u>	\$ <u>(310,936)</u>

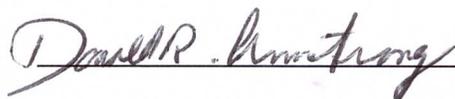
See accompanying notes to the financial statements.

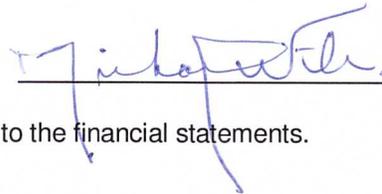
Sherbrooke Restoration Commission

Statement of financial position

March 31	2017	2016
Financial assets		
Cash and cash equivalents	\$ 84,930	\$ 87,860
Inventory for resale	30,837	33,080
Receivables	17,308	36,180
Total financial assets	\$ 133,075	\$ 157,120
Financial liabilities		
Payables	\$ 106,041	\$ 139,344
Deferred revenue (Note 3)	48,781	41,533
Accrued benefit liability (Note 4)	288,732	315,747
Total financial liabilities	443,554	496,624
Net debt	(310,479)	(339,504)
Non-financial assets		
Inventory	20,494	26,808
Prepays	1,511	1,760
	22,005	28,568
Accumulated deficit	\$ (288,474)	\$ (310,936)

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of changes in net debt

Year ended March 31	Budget	2017	2016
Annual surplus (deficit)	\$ _____ -	\$ <u>22,462</u>	\$ (26,521)
Change in other non-financial assets:			
Inventory	-	6,314	3,101
Prepays	_____ -	<u>249</u>	(1,760)
	_____ -	<u>6,563</u>	1,341
	-	29,025	(25,180)
Net debt, beginning of year	_____ -	<u>(339,504)</u>	(314,324)
Net debt, end of year	\$ _____ -	\$ <u>(310,479)</u>	\$ (339,504)

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission

Statement of cash flows

Year ended March 31	2017	2016
Increase (decrease) in cash and cash equivalents		
Operating		
Annual surplus (deficit)	\$ 22,462	\$ (26,521)
Non-cash items		
Accrued benefit liability	(27,015)	(69,352)
	(4,553)	(95,873)
Change in non-cash operating working capital		
Receivables	18,872	33,552
Inventory	8,557	12,471
Prepays	249	(1,760)
Payables	(33,303)	36,442
Deferred revenue	7,248	(1,284)
Net change in cash and cash equivalents	(2,930)	(16,452)
Cash and cash equivalents		
Beginning of year	87,860	104,312
End of year	\$ 84,930	\$ 87,860

See accompanying Notes to the financial statements.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2017

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 post-employment benefits, valuation of inventory and allowances for uncollectible receivables. 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, 2017, the Commission spent \$Nil (2016: \$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. 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, 2017

2. Summary of significant accounting policies (continued)

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 (deficit), provides the change in net debt for the year.

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.

Budget figures

The budget figures contained in these financial statements were approved by the commission on October 28, 2015.

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, 2017, there are no known contaminated sites identified.

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.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2017

3. Deferred revenue	<u>2017</u>	<u>2016</u>
Sustainability grant	\$ 30,885	\$ 30,885
Union negotiations grant	6,634	6,901
Canada 150 celebrations grant	8,179	-
Deposits for subsequent year programs	<u>3,083</u>	<u>3,747</u>
	<u>\$ 48,781</u>	<u>\$ 41,533</u>

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

Balance, beginning of year	\$ 41,533	\$ 42,817
Contributions from		
Canada 150 celebrations	10,000	-
Deposits on programs	<u>3,083</u>	<u>3,747</u>
	<u>13,083</u>	<u>3,747</u>
Utilized for:		
Union negotiations	267	5,031
Wardrobe	1,821	-
Deposits on programs	<u>3,747</u>	<u>-</u>
	<u>5,835</u>	<u>5,031</u>
Balance, end of year	<u>\$ 48,781</u>	<u>\$ 41,533</u>

4. 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, 2017. The data and plan provisions used to determine the results of March 31, 2017 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.

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2017

4. Pension Plan (continued)

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

	<u>2017</u>	<u>2016</u>
Fair value of plan assets	\$ 3,390,547	\$ 3,148,439
Accrued benefit obligation	<u>3,914,142</u>	<u>3,715,104</u>
Funded status – plan deficit	(523,595)	(566,665)
Unamortized actuarial loss	197,104	197,086
Employer contributions January to March	<u>37,759</u>	<u>53,832</u>
Accrued benefit liability	\$ (288,732)	\$ (315,747)

The significant actuarial assumptions adopted in valuing the plan are:

	<u>2017</u>	<u>2016</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>2017</u>	<u>2016</u>
Plan contributions	\$ <u>159,363</u>	\$ <u>196,776</u>
Benefits paid	\$ <u>135,213</u>	\$ <u>73,767</u>

All plan assets are held by Sun Life. Pension expense for the year is:

	<u>2017</u>	<u>2016</u>
Pension adjustment for the year	\$ (27,015)	\$ (69,352)
Employer contributions for the year	<u>134,087</u>	<u>212,661</u>
Pension expense for the year	\$ 107,072	\$ 143,309

Sherbrooke Restoration Commission

Notes to the financial statements

March 31, 2017

5. 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, 2017 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, 2017. 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.

6. Subsequent event

Effective May 1, 2017, all assets and liabilities associated with the Pension Plan for Employees of Sherbrooke Restoration Commission were transferred to the Nova Scotia Public Service Superannuation Plan ("PSSP"). All members of the Plan became members of the PSSP on that date. Commencing on May 1, 2017, the Commission's only obligation with respect to the PSSP is to make employer contributions when due. As such, in accordance with CPA PS 3250, the Commission will no longer be required to separately report a pension expense and accrued benefit liability.

7. Comparative figures

Certain of the prior year figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Sherbrooke Restoration Commission

General operating expenses

Schedule 1

Year ended March 31

2017

2016

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Advertising and promotions	\$ 5,500	\$ 32,409	\$ 49,893
Exhibit centre expenses	-	-	25,058
Furnishings and equipment	200	139	-
Heat, light and power	80,000	67,460	70,784
Insurance and taxes	2,500	1,822	2,041
Interest and bank charges	8,600	9,871	8,951
Maintenance supplies	18,756	47,578	36,022
Miscellaneous	7,000	19,930	12,634
Motor vehicles	5,000	6,728	7,266
Office supplies and postage	6,500	6,726	8,263
Professional fees	14,000	21,956	17,441
Property maintenance and security salaries	244,853	240,812	218,580
Pension plan and other benefits	222,000	151,619	196,662
Salaries and wages – administration	301,396	252,481	238,503
Salaries and wages – retroactive	40,000	(2,420)	116,474
Sewer and water	36,000	37,060	35,830
Staff and commission training and travel	1,000	94	19,405
Visitor services	49,247	44,389	41,905
Telephone	15,500	15,964	14,812
Workers' compensation	<u>25,000</u>	<u>38,408</u>	<u>23,714</u>
	<u>\$1,083,052</u>	<u>\$ 993,026</u>	<u>\$1,144,238</u>

Sherbrooke Restoration Commission

Program revenue and expenses

Schedule 2

Year ended March 31

2017

2016

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Ambrotype studio	\$ 15,000	\$ 10,749	\$ 12,665
Blacksmith shop	2,000	2,871	2,617
Wardrobe shop	-	-	15
Weaving shop	-	92	248
Hands on history	26,693	27,013	26,699
Company store (Schedule 3)	100,000	94,280	91,103
Interpreters	19,000	17,974	12,548
Jordan barn	-	20	-
Pottery shop	-	-	-
Restaurant (Schedule 3)	64,000	58,423	63,730
Sawmill operations	250	283	253
Special events	39,000	29,817	26,816
Turner shop	1,500	3,093	1,927
Woodworking shop	<u>55,000</u>	<u>27,536</u>	<u>47,104</u>
	<u>322,443</u>	<u>272,151</u>	<u>285,725</u>
Expenses			
Ambrotype studio	31,499	33,812	27,285
Blacksmith shop	16,279	13,977	19,666
Wardrobe shop	48,833	55,377	50,191
Weaving shop	41,947	39,257	38,307
Hands on history	79,769	87,677	66,236
Company store (Schedule 3)	103,592	110,417	111,598
Interpreters	356,487	354,468	340,029
Jordan barn	87,571	90,527	67,680
Pottery shop	14,896	12,594	11,649
Restaurant (Schedule 3)	76,227	90,604	84,185
Print shop	500	335	555
Sawmill operations	33,302	31,237	33,248
Special events	8,000	16,253	14,732
Turner shop	55,578	55,674	51,797
Woodworking shop	<u>96,442</u>	<u>99,267</u>	<u>86,896</u>
	<u>1,050,922</u>	<u>1,091,476</u>	<u>1,004,054</u>
Net expenses	\$ <u>728,479</u>	\$ <u>819,325</u>	\$ <u>718,329</u>

Sherbrooke Restoration Commission
Retail operations**Schedule 3**

Year ended March 31

2017**2016**

Company Store

Revenue

Sales \$ 94,280 \$ 91,103

Cost of goods sold

Merchandise inventory, opening 19,109 25,005Purchases 38,452 39,000Merchandise available for sale 57,561 64,005Less: Merchandise inventory, ending 17,651 19,109Cost of goods sold 39,910 44,896Gross profit 54,370 46,207

Expenses

Salaries and wages 70,507 66,702Net loss \$ (16,137) \$ (20,495)**Restaurant**

Revenue

Sales \$ 58,423 \$ 63,730

Cost of goods sold

Restaurant inventory, opening 695 446Purchases 34,928 29,324Merchandise available for sale 35,623 29,770Less: Restaurant inventory, ending - 695Cost of goods sold 35,623 29,075Gross profit 22,800 34,655

Expenses

Salaries and wages 54,981 55,110Net loss \$ (32,181) \$ (20,455)