



Financial Statements

Gaelic College Foundation

March 31, 2017

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Independent Auditor's Report

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To the members of the
Gaelic College Foundation

We have audited the accompanying financial statements of the Gaelic College Foundation, which comprise the statement of financial position as at March 31, 2017, and the statement of operations, statement of changes in net assets and statement of 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 accounting standards for not-for-profit organizations, 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 qualified audit opinion.

Basis for qualified opinion

Donation revenue received by the Foundation is not susceptible to complete audit verification. Accordingly, our verification of donation revenue was limited to accounting for the amounts recorded in the records of the Gaelic College Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2017, and current assets and net assets as at March 31, 2017.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Gaelic College Foundation as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Sydney, Canada

June 14, 2017



Chartered professional accountants
Licensed public accountants

Gaelic College Foundation

Statement of Operations

Year ended March 31

2017

2016

Revenue		
Admissions	\$ 42,543	\$ 33,400
Concerts and special events	9,518	15,357
Craft shop (Page 13)	333,385	312,721
Facility rental	164,157	166,728
General	68,844	60,631
Kitchen	234,081	228,858
Provincial grant	230,000	230,000
School	187,118	169,187
Donations – McBroom Foundation	18,324	49,890
Kitchenfest	247,940	161,692
	<u>1,535,910</u>	<u>1,428,464</u>
Operating expenses		
Administrative	174,873	171,360
Concerts and special events	645	6,944
Craft shop (Page 13)	251,376	241,672
Facility rental	174,040	144,831
General	163,402	162,039
Marketing and hall operations	113,035	82,288
Kitchen	203,248	214,309
Maintenance	82,593	51,106
School	202,391	178,258
Kitchenfest	168,068	172,349
	<u>1,533,671</u>	<u>1,425,156</u>
(Loss) earnings from operations before depreciation and amortization of deferred contributions	<u>2,239</u>	<u>3,308</u>
Depreciation	(135,426)	(129,795)
Amortization of deferred contributions related to capital assets (Note 9)	53,511	52,665
Gain on sale of property and equipment	<u>-</u>	<u>4,545</u>
	<u>(81,915)</u>	<u>(72,585)</u>
Deficiency of revenues over expenses	<u>\$ (79,676)</u>	<u>\$ (69,277)</u>

See accompanying notes to the financial statements.

Gaelic College Foundation

Statement of Financial Position

March 31

2017

2016

Assets

Current

Receivables (Note 3)	\$ 112,406	\$ 56,902
Inventory	93,890	96,030
Prepays	<u>5,819</u>	<u>9,364</u>

	212,115	162,296
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Property and equipment (Note 4)	<u>3,961,348</u>	<u>3,558,252</u>
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	<u>\$ 4,173,463</u>	<u>\$ 3,720,548</u>
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Liabilities

Current

Bank indebtedness (Note 5)	\$ 117,824	\$ 174,473
Payables and accruals (Note 6)	270,040	28,357
Deferred revenue	<u>100,548</u>	<u>40,984</u>

	488,412	243,814
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Deferred contributions (Note 7)	<u>2,527,173</u>	<u>2,239,180</u>
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	<u>3,015,585</u>	<u>2,482,994</u>
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Foundation equity (Page 5)

Deficit	(276,297)	(81,518)
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Investment in capital assets (Note 8)	<u>1,434,175</u>	<u>1,319,072</u>
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	<u>1,157,878</u>	<u>1,237,554</u>
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	<u>\$ 4,173,463</u>	<u>\$ 3,720,548</u>
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Contingency (Note 11)

Commitments (Note 12)

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the financial statements.

Gaelic College Foundation

Statement of Changes in Net Assets

Year ended March 31 2017 2016

	Investment in capital <u>assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 1,319,072	\$ (81,518)	\$ 1,237,554	\$ 1,306,831
Deficiency of revenue over expenses (Note 9)	(81,915)	2,239	(79,676)	(69,277)
Net change in investment in capital assets (Note 9)	<u>197,018</u>	<u>(197,018)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,434,175</u>	<u>\$ (276,297)</u>	<u>\$ 1,157,878</u>	<u>\$ 1,237,554</u>

See accompanying notes to the financial statements.

Gaelic College Foundation

Statement of Cash Flows

Year ended March 31

2017

2016

Increase in cash and cash equivalents

Operating		
Deficiency of revenue over expenses	\$ (79,676)	\$ (69,277)
Depreciation of capital assets	135,426	129,795
Depreciation of other assets		1,910
Amortization of deferred contributions related to capital assets	(53,511)	(52,665)
Gain on sale of capital asset	<u>-</u>	<u>(4,545)</u>
	2,239	5,218
Change in non-cash operating working capital (Note 10)	<u>251,428</u>	<u>(65,185)</u>
	<u>253,667</u>	<u>(59,967)</u>
Investing		
Government contributions for capital assets	341,504	397,805
Purchase of capital assets	(538,522)	(315,686)
Proceeds from sale of capital assets	<u>-</u>	<u>9,903</u>
	<u>(197,018)</u>	<u>92,022</u>
Net increase in cash and cash equivalents	56,649	32,055
Bank indebtedness, beginning of year	<u>(174,473)</u>	<u>(206,528)</u>
Bank indebtedness, end of year	<u>\$ (117,824)</u>	<u>\$ (174,473)</u>

See accompanying notes to the financial statements.

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2017

1. Nature of operations

The Gaelic College Foundation, a not-for-profit organization, is incorporated under an Act of the Nova Scotia Legislature. The objectives of the Foundation are to promote the language, music, dance, and craft which came from the Highlands of Scotland. The Gaelic College Foundation is a registered charity under the Income Tax Act and is exempt from income tax.

2. Summary of significant accounting policies

Basis of presentation

The Foundation has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Revenue recognition

The Foundation uses the deferral method for externally restricted contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

The Foundation recognizes revenues for school, facility rentals, kitchen, concerts, and special events as services are provided. Craft shop revenues are recognized at the point of sale.

Depreciation

Purchased capital assets are recorded at cost. Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Equipment	20%, declining balance
Paving	10 years, straight line
Vehicles	20 - 30%, declining balance
Sewage treatment facility	40 years, straight line
Signage	30%, declining balance
Buildings	5 - 60 years, straight line

Contributed materials and services

Contributed materials and services are recognized at their fair value in the financial statements when the amount can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Use of estimates

In preparing the Foundation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Inventory

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Foundation records measures its inventory using average cost. The Foundation estimates net realizable value as the amount that 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. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. 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.

The cost of inventory recognized as an expense during fiscal 2017 was \$160,609 (2016 – \$152,926).

Financial instruments

Initial measurement

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The Foundation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, grants receivable, and payables and accruals.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2017

3. Receivables	<u>2017</u>	<u>2016</u>
Trade	\$ 48,852	\$ 24,081
Kitchenfest	31,955	-
Commodity taxes	35,187	34,268
Allowance for doubtful accounts	<u>(3,588)</u>	<u>(1,447)</u>
	<u>\$ 112,406</u>	<u>\$ 56,902</u>

4. Property and equipment			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Land and improvements	\$ 110,688	\$ -	\$ 110,688	\$ 110,688
Equipment and furnishings	760,637	649,857	110,780	80,828
Paving	56,670	17,804	38,866	-
Vehicle	85,839	66,638	19,201	28,030
Signage	37,831	26,845	10,986	11,932
Sewage treatment facility	445,231	103,312	341,919	354,044
Buildings				
MacKenzie Hall	1,363,800	646,005	717,795	713,319
Main	298,064	161,377	136,687	136,687
Sheds	19,058	19,168	-	3,701
Hall of Clans	1,503,768	667,839	835,929	763,840
Clachan	253,775	113,692	140,083	144,318
Classrooms and student residence buildings	1,043,897	569,801	474,096	465,183
Amphitheatre	158,724	151,969	6,755	9,390
Administration complex	1,075,659	212,622	863,037	634,085
Steel Building	145,740	1,975	143,765	-
Exercise Pad	11,042	171	10,871	-
Assets under construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,207</u>
	<u>\$ 7,370,423</u>	<u>\$ 3,409,075</u>	<u>\$ 3,961,348</u>	<u>\$ 3,558,252</u>

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2017

5. Bank indebtedness

The Foundation has an established line of credit of \$150,000. The line of credit bears interest at a rate of prime plus 1.75%. At the year end, the line of credit had a balance outstanding of \$116,604 (2016 - \$176,655). Subsequent to yearend, this balance was repaid.

6. Payables and accruals	<u>2017</u>	<u>2016</u>
Trade	\$ 268,195	\$ 28,357
Government remittances	<u>1,845</u>	<u>-</u>
	<u>\$ 270,040</u>	<u>\$ 28,357</u>

7. Deferred contributions

Deferred capital contributions related to capital assets represent the unamortized balance of subsequent capital contributions from external sources. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,239,180	\$ 1,894,040
Contributions received	<u>341,504</u>	<u>397,805</u>
	2,580,684	2,291,845
Less: amortized amounts	<u>(53,511)</u>	<u>(52,665)</u>
	<u>\$ 2,527,173</u>	<u>\$ 2,239,180</u>

8. Investment in capital assets	<u>2017</u>	<u>2016</u>
Capital assets	\$ 3,961,348	\$ 3,558,252
Amount financed by deferred contributions	<u>(2,527,173)</u>	<u>(2,239,180)</u>
	<u>\$ 1,434,175</u>	<u>\$ 1,319,072</u>

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2017

9. Change in equity invested in capital assets	<u>2017</u>	<u>2016</u>
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	\$ 53,511	\$ 52,665
Amortization of capital assets	<u>(135,426)</u>	<u>(129,795)</u>
	<u>\$ (81,915)</u>	<u>\$ (77,130)</u>
Net change in investment in capital assets		
Capital assets purchased	\$ 538,522	\$ 315,686
Amount financed by deferred contributions	<u>(341,504)</u>	<u>(397,805)</u>
Disposal of capital assets	<u>-</u>	<u>(5,358)</u>
	<u>\$ 197,018</u>	<u>\$ (87,477)</u>

10. Supplemental cash flow information	<u>2017</u>	<u>2016</u>
Change in non-cash operating working capital		
Receivables	\$ (55,504)	\$ (16,940)
Inventory	2,140	25,591
Prepays	3,545	(2,833)
Payables and accruals	241,683	(104,380)
Deferred revenue	<u>59,564</u>	<u>33,377</u>
	<u>\$ 251,428</u>	<u>\$ (65,185)</u>

11. Contingency

The Foundation has a standing letter of credit with the Royal Bank for \$5,000 in favour of the Nova Scotia Liquor Corporation.

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2017

12. Commitments

The Foundation has entered into lease agreements to office equipment until 2022. Minimum lease payments for the equipment in each of the next five (5) years are as follows:

	<u>Total</u>
2018	\$ 10,278
2019	10,278
2012	10,278
2021	4,691
2022	<u>4,691</u>
	<u>\$ 40,216</u>

13. Financial instruments

The main risks the Foundation is exposed to through its financial instruments are credit risk and liquidity risk.

Credit risk

The Foundation does have credit risk in receivables of \$112,406 (2016 - \$56,902). Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation provides credit to its client in the normal course of operations. There was no significant change in exposure from the prior year.

Liquidity risk

The Foundation does have a liquidity risk in the payables and accruals and bank indebtedness of \$270,040 (2016 - \$202,830). Liquidity risk is the risk that the Foundation encounter difficulty in meeting the obligations associated with its financial liabilities. There was no significant change in exposure from the prior year.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its floating interest rate financial instruments. Given the floating rate instruments maintained, the Foundation is subject to a cash flow risk. There was no significant change in exposure from the prior year.

Gaelic College Foundation

Schedule of Operations – Craft Shop

Year ended March 31	2017	2016
Sales	\$ 333,385	\$ 312,721
Cost of goods sold	<u>160,609</u>	<u>152,926</u>
Gross profit	<u>172,776</u>	<u>159,795</u>
Expenses		
Office	3,608	6,648
Repairs and maintenance	-	161
Travel	336	2,011
Utilities	5,499	6,388
Wages	<u>81,324</u>	<u>73,538</u>
	<u>90,767</u>	<u>88,746</u>
Earnings from operations	<u>\$ 82,009</u>	<u>\$ 71,049</u>
