



Financial Statements

Gaelic College Foundation

March 31, 2018



# Contents

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>1 - 2</b>
<b>Statement of Operations</b>	<b>3</b>
<b>Statement of Changes in Net Assets</b>	<b>4</b>
<b>Statement of Financial Position</b>	<b>5</b>
<b>Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	<b>7 - 13</b>
<b>Schedule of Craft Shop</b>	<b>14</b>

## Independent Auditor's Report

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To the Members of  
Gaelic College Foundation

We have audited the accompanying financial statements of Gaelic College Foundation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, 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 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 Foundation'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 Foundation'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.

## Independent Auditor's Report (continued)

### **Basis for qualified opinion**

In common with many charitable organizations, Gaelic College Foundation derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of Gaelic College Foundation and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2018 and March 31, 2017, current assets as at March 31, 2018 and March 31, 2017 and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly, because of the possible effects of this scope limitation.

### **Qualified opinion**

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2018 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 21, 2018

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

## Gaelic College Foundation Statement of Operations

Year ended March 31	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>			
Admissions	\$ 50,000	\$ 52,761	\$ 42,543
Concerts and special events	25,000	20,725	9,518
Craft shop (Schedule 1)	335,765	348,028	333,385
Facility rental	186,380	183,622	164,157
General	78,500	93,368	68,844
Kitchen	233,000	244,217	234,081
Provincial grant	230,000	230,000	230,000
School	191,635	176,820	187,118
Donations - McBroom Foundation	-	-	18,324
KitchenFest!	340,000	309,432	247,940
	<u>1,670,280</u>	<u>1,658,973</u>	<u>1,535,910</u>
<b>Operating expenses</b>			
Administrative	191,100	187,001	174,873
Concert and special events	1,000	10,281	645
Craft shop (Schedule 1)	261,750	270,668	251,376
Facility rental	188,800	174,148	174,040
General	173,000	167,009	163,402
Kitchen	209,500	211,707	203,248
Maintenance	59,000	80,976	82,593
Marketing and hall operations	129,352	120,898	113,035
School	201,210	207,850	202,391
KitchenFest!	246,000	218,606	168,068
	<u>1,660,712</u>	<u>1,649,144</u>	<u>1,533,671</u>
<b>Excess of revenues over expenses before other income (item)</b>	<u>9,568</u>	<u>9,829</u>	<u>2,239</u>
<b>Other income (item)</b>			
Amortization	(150,000)	(150,910)	(135,426)
Gain on sale of property and equipment	-	1,400	-
Amortization of deferred contributions related to capital assets	60,000	58,745	53,511
	<u>(90,000)</u>	<u>(90,765)</u>	<u>(81,915)</u>
<b>Deficiency of revenues over expenses</b>	<u>\$ (80,432)</u>	<u>\$ (80,936)</u>	<u>\$ (79,676)</u>

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**Gaelic College Foundation**  
**Statement of Changes in Net Assets**Year ended March 31

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	Investment in capital assets	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	\$ 1,434,175	\$ (276,297)	\$ 1,157,878	\$ 1,237,554
(Deficiency) excess of revenues over expenses	(92,165)	11,229	(80,936)	(79,676)
Net change in investment in capital assets (Note 9)	<u>(1,280)</u>	<u>1,280</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,340,730</u>	<u>\$ (263,788)</u>	<u>\$ 1,076,942</u>	<u>\$ 1,157,878</u>

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**Gaelic College Foundation**  
**Statement of Financial Position**

March 31

2018

2017

**Assets**

**Current**

Receivables (Note 3)

\$ 87,799 \$ 112,406

Inventory

102,046 93,890

Prepays

5,819 5,819

195,664 212,115

Property and equipment (Note 4)

4,002,987 3,981,348

\$ 4,198,651 \$ 4,173,463

**Liabilities**

**Current**

Bank indebtedness (Note 5)

\$ 165,695 \$ 117,824

Payables and accruals (Note 6)

210,739 270,040

Deferred revenue

83,018 100,548

459,452 488,412

Deferred contributions (Note 7)

2,662,257 2,527,173

3,121,709 3,015,585

**Foundation equity**

**Deficit**

(263,788) (276,297)

Investment in capital assets (Note 8)

1,340,730 1,434,175

1,076,942 1,157,878

\$ 4,198,651 \$ 4,173,463

Commitments and contingencies (Notes 10 and 11)

On behalf of the Board

 Director

 Director

# Gaelic College Foundation

## Statement of Cash Flows

Year ended March 31

2018

2017

(Decrease) increase in (bank indebtedness)		
<b>Operating</b>		
Deficiency of revenues over expenses	\$ (80,936)	\$ (79,676)
Items not affecting cash		
Amortization	150,910	135,426
Gain on sale of property and equipment	(1,400)	-
Amortization of deferred contributions related to capital assets	<u>(58,745)</u>	<u>(53,511)</u>
	9,829	2,239
Change in non-cash working capital items (Note 12)	<u>(60,380)</u>	<u>251,428</u>
	<u>(50,551)</u>	<u>253,667</u>
<b>Investing</b>		
Government contributions for capital assets	193,829	341,504
Purchase of capital assets	(192,549)	(538,522)
Proceeds from sale of capital assets	<u>1,400</u>	<u>-</u>
	<u>2,680</u>	<u>(197,018)</u>
(Decrease) increase in (bank indebtedness)	(47,871)	56,649
(Bank indebtedness)		
Beginning of year	<u>(117,824)</u>	<u>(174,473)</u>
End of year	<u>\$ (165,695)</u>	<u>\$ (117,824)</u>



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# Gaelic College Foundation

## Notes to the Financial Statements

March 31, 2018

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### 1. Nature of operations

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.

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### 2. 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 from 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.

#### Property and equipment

Each class of property, plant and equipment is carried at cost. Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated useful lives are as follows:

Buildings	5-60 years Straight-line
Equipment and furnishings	20% Declining balance
Paving	10 years Straight-line
Sewage treatment facility	40 years Straight-line
Signage	30% Declining balance
Vehicles	20-30% Declining balance

#### 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.

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# Gaelic College Foundation

## Notes to the Financial Statements

March 31, 2018

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### 2. 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 2018 was \$168,465 (2017 – \$160,609).

#### Financial Instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- bank indebtedness
- payables and accruals

A financial asset or liability is recognized when the Foundation becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets and financial liabilities are subsequently measured according to the following methods:

#### Financial instrument

#### Subsequent measurement

Receivable  
Bank indebtedness

Amortized cost  
Amortized cost (which approximates fair value)

# Gaelic College Foundation

## Notes to the Financial Statements

March 31, 2018

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

Payables and accruals

Amortized cost

The Foundation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

3. Receivables	2018	2017
Trade	\$ 48,942	\$ 48,852
KitchenFest!	25,963	31,955
Commodity taxes	16,482	35,187
Allowance for doubtful accounts	(3,588)	(3,588)
	<u>\$ 87,799</u>	<u>\$ 112,406</u>

4. Property and equipment			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	\$ 110,688	\$ -	\$ 110,688	\$ 110,688
Buildings	5,981,714	2,645,138	3,336,576	3,328,908
Equipment and furnishings	773,038	673,253	99,785	110,780
Paving	56,670	18,999	37,671	38,866
Sewage treatment facility	454,129	108,890	345,239	341,919
Signage	86,640	39,306	47,334	10,986
Vehicles	86,710	61,016	25,694	19,201
	<u>\$ 7,549,589</u>	<u>\$ 3,546,602</u>	<u>\$ 4,002,987</u>	<u>\$ 3,961,348</u>

# Gaelic College Foundation

## Notes to the Financial Statements

March 31, 2018

### 4. Property and equipment (continued)

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings consists of:				
MacKenzie Hall	\$ 1,364,121	\$ 668,738	\$ 695,383	\$ 717,795
Hall of Clans	1,506,560	692,925	813,635	835,819
Clachan	253,775	117,922	135,853	140,083
Classrooms and student residence buildings	1,044,041	587,200	456,841	474,096
Main	298,064	166,345	131,719	136,687
Sheds	21,219	21,219	-	-
Amphitheatre	158,724	154,625	4,099	6,755
Administration complex	1,115,737	230,884	884,853	863,037
Exercise pad	11,350	357	10,993	10,871
Steele building	147,048	4,414	142,634	143,765
Pavilion	61,075	509	60,566	-
	<u>\$ 5,981,714</u>	<u>\$ 2,645,138</u>	<u>\$ 3,336,576</u>	<u>\$ 3,328,908</u>

### 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 \$166,029 (2017 - 116,604). Subsequent to year end, this balance was paid.

### 6. Payables and accruals

	<u>2018</u>	<u>2017</u>
Trade	\$ 210,739	\$ 268,195
Government remittances	-	1,845
	<u>\$ 210,739</u>	<u>\$ 270,040</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.

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**Gaelic College Foundation**  
**Notes to the Financial Statements**  
 March 31, 2018

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**7. Deferred contributions (continued)**

	<u>2018</u>	<u>2017</u>
Balance beginning of year	\$ 2,527,173	\$ 2,239,180
Contributions received	<u>193,829</u>	<u>341,504</u>
	2,721,002	2,580,684
Less: amortized amounts	<u>(58,745)</u>	<u>(53,511)</u>
	<u>\$ 2,662,257</u>	<u>\$ 2,527,173</u>

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**8. Investment in capital assets**

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 4,002,987	\$ 3,961,348
Amount financed by deferred contributions	<u>(2,662,257)</u>	<u>(2,527,173)</u>
	<u>\$ 1,340,730</u>	<u>\$ 1,434,175</u>

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**9. Change in equity invested in capital assets**

	<u>2018</u>	<u>2017</u>
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	\$ 58,745	\$ 53,511
Amortization of capital assets	<u>(150,910)</u>	<u>(135,426)</u>
	<u>(92,165)</u>	<u>(81,915)</u>
Net change in investment in capital assets		
Capital assets purchased	192,549	538,522
Amount financed by deferred contributions	<u>(193,829)</u>	<u>(341,504)</u>
	<u>(1,280)</u>	<u>197,018</u>
	<u>\$ (93,445)</u>	<u>\$ 115,103</u>

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**10. Contingency**

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

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# Gaelic College Foundation

## Notes to the Financial Statements

March 31, 2018

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### 11. Commitments

The Foundation has entered into lease agreements to office equipment until 2022.

Estimated principal repayments are as follows:

2019	\$	10,278
2020		10,278
2021		4,691
2022		<u>4,691</u>
	\$	<u>29,938</u>

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### 12. Change in non-cash working capital items

	<u>2018</u>	<u>2017</u>
Receivables	\$ 24,607	\$ (55,504)
Inventory	(8,156)	2,140
Prepays	-	3,545
Payables and accruals	(59,301)	241,683
Deferred revenue	<u>(17,530)</u>	<u>59,564</u>
	<u>\$ (60,380)</u>	<u>\$ 251,428</u>

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### 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 \$87,799 (2017 - \$112,406). 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's main credit risks relate to its accounts receivable and notes receivable. The entity provides credit to its clients in the normal course of its 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 \$376,434 (2017 - \$387,864). Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities. There was no significant change in exposure from the prior year.

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# **Gaelic College Foundation**

## **Notes to the Financial Statements**

March 31, 2018

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### **13. Financial instruments (continued)**

#### **Market risk**

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk.

#### **(i) Interest rate 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 Foundation 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.

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**Gaelic College Foundation  
Schedule of Craft Shop**

<b>Year ended March 31</b>	<b>2018 Budget</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Sales	\$ 335,765	\$ 348,028	\$ 333,385
Cost of good sold	<u>166,500</u>	<u>168,465</u>	<u>160,609</u>
Gross profit	<u>169,265</u>	<u>179,563</u>	<u>172,776</u>
Expenditures			
Office	3,500	10,270	3,608
Repairs and maintenance	-	538	-
Travel	1,000	1,227	336
Utilities	5,000	5,374	5,499
Wages	<u>85,750</u>	<u>84,794</u>	<u>81,324</u>
	<u>95,250</u>	<u>102,203</u>	<u>90,767</u>
Earnings from operations	<u>\$ 74,015</u>	<u>\$ 77,360</u>	<u>\$ 82,009</u>