

GAELIC COLLEGE FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2022

Gaelic College Foundation

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INDEPENDENT AUDITORS' REPORT

To the Board Members of:
Gaelic College Foundation

Qualified Opinion

We have audited the financial statements of Gaelic College Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Foundation are prepared, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenditures, assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sydney, Nova Scotia
June 29, 2022



Chartered Professional Accountants

Gaelic College Foundation

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT		
Accounts receivable (Note 3)	\$ 411,037	\$ 19,874
Inventory	76,954	84,008
Prepaid expenses	<u>12,868</u>	<u>11,323</u>
	500,859	115,205
EXTERNALLY RESTRICTED - ENDOWMENT FUND (NOTE 4)	12,232	-
CAPITAL ASSETS (NOTE 5)	6,902,357	4,929,552
INTANGIBLE ASSETS (NOTE 6)	<u>15,597</u>	<u>31,195</u>
	<u>\$ 7,431,045</u>	<u>\$ 5,075,952</u>



LIABILITIES

CURRENT		
Bank indebtedness (Note 7)	\$ 221,419	\$ 231,455
Bank loans (Note 8)	-	996,562
Accounts payable and accrued liabilities (Note 9)	748,524	134,456
Deferred revenue (Note 10)	74,455	33,487
Current portion of long term debt	<u>12,500</u>	<u>12,500</u>
	1,056,898	1,408,460
LONG TERM DEBT (NOTE 11)	40,000	52,500
DEFERRED CONTRIBUTIONS (NOTE 12)	<u>5,427,832</u>	<u>2,607,712</u>
	<u>6,524,730</u>	<u>4,068,672</u>

NET ASSETS

EXTERNALLY RESTRICTED - ENDOWMENT FUND	12,232	-
INVESTMENT IN LONG TERM ASSETS (NOTE 14)	1,477,623	1,331,474
UNRESTRICTED	<u>(583,540)</u>	<u>(324,194)</u>
	<u>906,315</u>	<u>1,007,280</u>
	<u>\$ 7,431,045</u>	<u>\$ 5,075,952</u>

APPROVED ON BEHALF OF THE BOARD:

 Board Member
 Board Member

GAELIC COLLEGE FOUNDATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUES		
Admissions	\$ 9,843	\$ -
Concerts and special events	15,288	8,227
Craft shop (Schedule 1)	64,325	62,124
Facility rental	53,678	15,975
General (Note 15)	283,425	504,780
Kitchen	70,855	28,997
KitchenFest!	294,817	258,897
Provincial grant	230,000	230,000
School	<u>181,451</u>	<u>125,005</u>
	<u>1,203,682</u>	<u>1,234,005</u>
EXPENDITURES		
Administrative	129,164	176,847
Concerts and special events	14,538	5,755
Craft shop (Schedule 1)	81,732	96,439
Facility rental	114,373	76,720
General	151,431	130,477
Kitchen	133,936	57,316
KitchenFest!	267,320	195,182
Maintenance	99,120	76,208
Marketing and hall operations	58,184	40,348
School	<u>142,938</u>	<u>167,766</u>
	<u>1,192,736</u>	<u>1,023,058</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS	<u>10,946</u>	<u>210,947</u>
OTHER ITEMS		
Amortization of capital assets	145,767	151,092
Amortization of intangible assets	15,597	15,597
Interest on bank loans	15,684	41,966
Amortization of deferred contributions	<u>(65,137)</u>	<u>(71,809)</u>
	<u>111,911</u>	<u>136,846</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (100,965)</u>	<u>\$ 74,101</u>

GAELIC COLLEGE FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2022

	<u>Endowment</u>	<u>Investment</u> <u>in Long</u>	<u>Unrestricted</u>	<u>2022</u>	<u>2021</u>
	<u>Fund</u>	<u>Term Assets</u>			
Balance, beginning of year	\$ -	\$1,331,474	\$ (324,194)	\$1,007,280	\$ 933,179
(Deficiency) excess of revenues over expenditures	-	-	(100,965)	(100,965)	74,101
Net investment income	632	-	(632)	-	-
Net change in investment in long term assets (note 14)	-	146,149	(146,149)	-	-
Interfund tranfers	<u>11,600</u>	<u>-</u>	<u>(11,600)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>12,232</u>	\$ <u>1,477,623</u>	\$ <u>(583,540)</u>	\$ <u>906,315</u>	\$ <u>1,007,280</u>

GAELIC COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Cash (used in) provided by operations		
(Deficiency) excess of revenues over expenditures	\$(100,965)	\$ 74,101
Add: charges to income not involving cash		
Amortization of capital assets	145,767	151,092
Amortization of intangible assets	15,597	15,597
Amortization of deferred contributions	(65,137)	(71,809)
Forgiveness of long term debt	<u>-</u>	<u>(20,000)</u>
	(4,738)	148,981
Net change in non-cash working capital		
Accounts receivable	(391,163)	14,787
Inventory	7,054	(7,259)
Prepaid expenses	(1,545)	(1,212)
Accounts payable and accrued liabilities	614,068	(105,969)
Deferred revenue	<u>40,968</u>	<u>1,712</u>
	<u>264,644</u>	<u>51,040</u>
FINANCING ACTIVITIES		
Proceeds from long term debt	-	60,000
Repayment of long term debt	(12,500)	(12,500)
Repayment of bank loans	<u>(996,562)</u>	<u>-</u>
	<u>(1,009,062)</u>	<u>47,500</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,118,571)	(212,956)
Government contributions for long term assets	2,885,257	74,362
Increase in endowment fund	<u>(12,232)</u>	<u>-</u>
	<u>754,454</u>	<u>(138,594)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,036	(40,054)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(231,455)</u>	<u>(191,401)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$(221,419)</u>	<u>\$(231,455)</u>

GAE LIC COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

1. DESCRIPTION OF ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Cash and Cash Equivalents

Cash is defined as cash on hand, balances with banks and bank overdrafts, net of cheques issued and outstanding at the reporting date.

(b) Inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of inventories include raw materials and direct labour costs.

(c) Capital Assets

Capital assets are recorded at cost and amortized on the basis of their useful life using the following methods and rates:

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

(d) Intangible Assets

Intangible assets are recognized at cost and amortized on the basis of their useful life using the straight-line method at the following rates:

Website	5 years straight-line
Atlantic Gaelic Academy	5 years straight-line

(e) 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 operations and would otherwise have been purchased.

GAELIC COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue Recognition

The Foundation follows the deferred method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

(g) Financial Instruments

The Society initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost. Financial instruments measured at amortized cost include accounts receivable, bank indebtedness, bank loans, accounts payable and accrued liabilities and long term debt.

(h) Use of Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that may affect the reported amount of assets, liabilities, revenues and expenses. These estimates are reviewed periodically with any required adjustments made in the year in which they become known.

3. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Trade	\$ 23,757	\$ 7,800
Wage subsidy	7,599	12,074
Atlantic Canada Opportunities Agency - capital grant	<u>379,681</u>	<u>-</u>
	<u>\$ 411,037</u>	<u>\$ 19,874</u>

4. ENDOWMENT FUND

On March 31, 2021, the Foundation entered into a charitable endowment fund agreement with The Community Foundation of Nova Scotia Society (the "Society") to establish the Gaelic College Fund. Under the terms of the agreement, the Foundation initially invested \$11,600 with the Society to be used for the disbursement of scholarships for students' tuition at the Foundation. Investment income is earned on the fund net of management and administration fees.

GAELIC COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2022</u>	<u>Net 2021</u>
Land and improvements	\$ 110,688	\$ -	\$ 110,688	\$ 110,688
Buildings				
Administration complex	1,422,695	323,123	1,099,572	1,123,282
Amphitheatre	158,724	158,724	-	-
Clachan	253,775	134,840	118,935	123,165
Classroom and student residence buildings	1,055,101	656,895	398,206	404,638
Exercise pad	11,350	1,113	10,237	10,426
Hall of Clans	1,510,960	793,619	717,341	742,524
Mabou campus	2,817,900	-	2,817,900	937,609
Mackenzie Hall	1,391,586	761,283	630,303	653,496
Main	298,064	186,216	111,848	116,816
Pavilion	61,075	4,581	56,494	57,512
Sheds	21,219	21,219	-	-
Steele building	147,048	14,217	132,831	135,282
Washrooms building	74,362	1,859	72,503	73,742
Sewage treatment facility	454,129	154,303	299,826	311,180
Paving	56,670	41,667	15,003	20,670
Equipment and furnishings	807,047	519,948	287,099	74,849
Vehicles	86,710	74,504	12,206	17,437
Signage	<u>86,640</u>	<u>75,275</u>	<u>11,365</u>	<u>16,236</u>
	<u>\$10,825,743</u>	<u>\$ 3,923,386</u>	<u>\$ 6,902,357</u>	<u>\$ 4,929,552</u>

During the year, the Foundation invested \$1,880,291 (2021 - \$129,099) in additions to the Mabou campus building that are still in progress. Accordingly, no amortization was taken on this amount.

6. INTANGIBLE ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2022</u>	<u>Net 2021</u>
Website	\$ 10,750	\$ 8,600	\$ 2,150	\$ 4,300
Atlantic Gaelic Academy	<u>67,236</u>	<u>53,789</u>	<u>13,447</u>	<u>26,895</u>
	<u>\$ 77,986</u>	<u>\$ 62,389</u>	<u>\$ 15,597</u>	<u>\$ 31,195</u>

7. BANK INDEBTEDNESS

The Foundation has an established line of credit of \$250,000 that bears interest at a rate of prime plus 1.00%. At March 31, 2022, the balance outstanding was \$132,153 (2021 - \$255,883). Security on the line of credit is described in Note 8.

GAELIC COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

8. BANK LOANS

	<u>2022</u>	<u>2021</u>
<u>East Coast Credit Union Limited</u>		
Mortgage at 4.44% interest, due on demand, repayable in blended monthly installments of \$4,091, retired August 2021.	\$ -	\$ 643,249
Loan at prime plus 1% interest, due on demand, repayable in blended monthly installments of \$4,725, retired April 2021.	-	353,313
Security for these loans and the line of credit is a first charge on land and buildings that have a net book value of \$6,276,858 and a general security agreement over all present and after acquired assets including equipment, inventory and receivables.		
	<u>\$ -</u>	<u>\$ 996,562</u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Trade payables	\$ 822,404	\$ 120,444
Accrued wages and benefits	24,055	19,614
HST receivable	<u>(97,935)</u>	<u>(5,602)</u>
	<u>\$ 748,524</u>	<u>\$ 134,456</u>

10. DEFERRED REVENUE

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 33,487	\$ 31,776
Less: amount recognized as revenue in the year	(33,487)	(15,152)
Plus: amount received related to the following year	<u>74,455</u>	<u>16,863</u>
Balance, end of year	<u>\$ 74,455</u>	<u>\$ 33,487</u>

Gaelic College Foundation

Notes to the Financial Statements

March 31, 2022

11. Long Term Debt

	<u>2022</u>	<u>2021</u>
<u>Atlantic Gaelic Academy Inc.</u>		
Non-interest bearing loan with semi-annual payments of \$6,250 due on May 15th and November 15th each year, maturing in November 2022.	\$ 12,500	\$ 25,000
<u>East Coast Credit Union Limited - Canada Emergency Business Account</u>		
Federal government \$60,000 interest free loan. Loan forgiveness of 25% of the first \$40,000 and 50% of the remaining \$20,000 is recognized as revenue in the year received under the assumption that the non-forgiveable portion will be paid back on or before December 31, 2023. If the balance is not paid by December 31, 2023, the loan forgiveness will be reversed and the remaining balance will be converted to a two-year term loan at 5% annual interest, paid monthly, effective January 1, 2023. The full balance must be repaid no later than December 31, 2025.	<u>40,000</u>	<u>40,000</u>
	52,500	65,000
Less - current portion	<u>12,500</u>	<u>12,500</u>
	<u>\$ 40,000</u>	<u>\$ 52,500</u>

Estimated principal payments for the next two years are as follows:

2023	\$ 12,500
2024	40,000

12. Deferred Contributions

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,607,712	\$ 2,605,158
Add - contributions received	<u>2,885,257</u>	<u>74,363</u>
	5,492,969	2,679,521
Less - amortized amounts	<u>(65,137)</u>	<u>(71,809)</u>
Balance, end of year	<u>\$ 5,427,832</u>	<u>\$ 2,607,712</u>

GAELIC COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

12.DEFERRED CONTRIBUTIONS (CONTINUED)

Deferred contributions are contributions received for the purchase of long term assets. The contributions are recognized as revenue on the statement of operations on the same basis as the related assets are amortized.

13.SUBSEQUENT EVENTS

INSURANCE CLAIM

In November 2021, one of the Foundation's buildings incurred water damage as a result of a storm. The Foundation filed an insurance claim and received \$79,095 (net of deductible) in June 2022.

14.INVESTMENT IN LONG TERM ASSETS

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ <u>1,331,474</u>	\$ <u>1,275,260</u>
Add - purchase of capital assets	2,118,571	212,956
- principal repayment of bank loans	996,562	-
- principal repayment of long term debt	12,500	12,500
- amortization of deferred contributions	65,137	71,809
Less - amortization of capital assets	(145,767)	(151,092)
- amortization of intangible assets	(15,597)	(15,597)
- Government contributions for capital assets	<u>(2,885,257)</u>	<u>(74,362)</u>
	<u>146,149</u>	<u>56,214</u>
Balance, end of year	\$ <u>1,477,623</u>	\$ <u>1,331,474</u>

15.GENERAL REVENUE

	<u>2022</u>	<u>2021</u>
Employment grants	\$ 27,595	\$ 2,913
Department of Communities, Culure and Heritage - Covid 19	-	75,000
Department of Heritage grant	-	14,620
Canada Emergency Wage Subsidy	194,875	335,225
Canada Emergency Business Account loan forgiveness	-	20,000
Donations	48,622	56,710
Investment income	632	-
Other	<u>11,701</u>	<u>312</u>
	\$ <u>283,425</u>	\$ <u>504,780</u>

GAEILIC COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

15. GENERAL REVENUE (CONTINUED)

During the year, the Foundation received \$56,350 (2021 - \$Nil) in contributions from The Community Foundation of Nova Scotia Society (the "Society") that the Foundation donated to organizations chosen by the Society. These transactions were recorded on a net basis.

16. FINANCIAL INSTRUMENTS

The financial risks to which the Foundation is exposed through its financial instruments are credit risk, liquidity risk and interest rate risk.

a) Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Foundation by failing to discharge an obligation. The Foundation is exposed to credit risk from its accounts receivable. The Foundation provides credit to its customers in the normal course of its operations.

b) Liquidity Risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to liquidity risk arising primarily from its obligations associated with its bank indebtedness and accounts payable and accrued liabilities.

c) 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 fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the Foundation to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Foundation to changes in related future cash flows.

GAELIC COLLEGE FOUNDATION

SCHEDULE 1

SCHEDULE OF CRAFT SHOP OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
SALES	\$ 64,325	\$ 62,124
COST OF GOODS SOLD	<u>27,083</u>	<u>33,040</u>
GROSS PROFIT	<u>37,242</u>	<u>29,084</u>
EXPENDITURES		
Office	2,038	2,612
Utilities	5,442	4,293
Wages and benefits	<u>47,169</u>	<u>56,494</u>
	<u>54,649</u>	<u>63,399</u>
LOSS FROM OPERATIONS	\$ <u>(17,407)</u>	\$ <u>(34,315)</u>