Grant Thornton

Financial Statements

Murchison Foundation Inc.

March 31, 2015

Contents

	Page
Independent auditor's report	1
Statement of operations	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6 - 9

Grant Thornton

Independent auditor's report

Grant Thornton LLP
2nd Floor, Royal Bank Building
220 Water Street, PO Box 1660
Summerside, PE
C1N 2V5

T +1 902 436 9155
F +1 902 436 6913
www.GrantThornton.ca

To the Board of Directors of

Murchison Foundation Inc.

We have audited the accompanying financial statements of Murchison Foundation Inc., which comprise the statement of financial position as at March 31, 2015, and the statement 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 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
In common with other similar facilities, the Foundation derives cash revenue and disburses cash prizes at its locations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues and prizes was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to bingo facility revenues, cash prizes, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2015 and 2014, and assets and net assets as at March 31, 2015 and 2014.

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 Murchison Foundation Inc. as at March 31, 2015, 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.

Grant Thornton LLP

Summerside, Prince Edward Island

September 23, 2015

Chartered accountants

Murchison Foundation Inc.
Statement of operations

Year Ended March 31	2015	2014
Sales		
Bingo	$ 4,007,635	$ 3,910,163
Canteen	122,005	129,692
Satellite	-	47,367
	4,129,640	4,087,222
Cost of sales		
Inventory, beginning of year	12,420	10,804
Purchases	200,025	197,666
Prizes	2,981,317	2,946,508
	3,193,762	3,154,978
Inventory, end of year	14,413	12,420
	3,179,349	3,142,558
Gross profit	950,291	944,664
Expenses		
Advertising	36,573	24,199
Bank charges	8,439	9,571
Building rent	24,250	34,550
Depreciation	57,065	72,540
Financial management	50,653	49,905
Insurance	23,968	25,573
Interest on long-term debt	36,250	35,050
License fees	45,958	34,241
Meetings	704	847
Office and general	5,953	6,384
Professional fees	5,984	6,115
Property taxes	44,253	31,874
Repairs and maintenance	90,037	94,891
Staff development	2,751	599
Telephone	9,076	9,758
Travel	5,959	5,294
Utilities	62,876	68,220
Wages	343,816	342,608
	854,565	852,249
Excess revenues over expenditures from operations	95,726	92,415
Other income (Note 7)	53,298	49,513
Excess revenues over expenditures before distribution	149,024	141,928
Distribution	97,497	130,000
Excess revenues over expenditures before extrodinary expense	-	11,928
Excess expenditures over revenues	$ 51,527	$ 11,928

See accompanying notes to the financial statements.

Murchison Foundation Inc.
Statement of financial position

March 31	2015	2014
Assets		
Current		
Cash	$ 7,393	$ 5,467
Receivables	3,808	5,111
Inventory	14,713	12,420
Prepaids	-	525
Property held for sale	155,909	-
	181,823	23,523
Tangible capital assets (Note 3)	1,246,257	1,438,901
	$ 1,428,080	$ 1,462,424
Liabilities		
Current		
Bank indebtedness (Note 4)	$ 61,573	$ 64,485
Payables and accruals (Note 5)	74,186	94,268
Current portion of long-term debt	70,497	56,293
Debt maturing in one year	-	136,350
	206,256	351,396
Long-term debt (Note 6)	618,456	559,187
	824,712	910,583
Net assets		
Beginning of year	551,841	539,913
Excess of expenditures over revenues	51,527	11,928
End of year	603,368	551,841
	$ 1,428,080	$ 1,462,424

On behalf of the Board

See accompanying notes to the financial statements.

Murchison Foundation Inc.
Statement of cash flows

Year Ended March 31	2015	2014
Increase (decrease) in cash and cash equivalents		
Operating		
Excess expenditures over revenues	**$ 51,527**	$ 11,928
Depreciation	**57,065**	72,540
Net changes in working capital balances	**(20,547)**	(18,886)
	88,045	65,582
Financing		
Issuance of long-term debt	**-**	336,350
Change in bank indebtedness	**(2,912)**	16,575
Repayment of long-term debt	**(62,877)**	(140,905)
	(65,789)	212,020
Investing		
Purchase of tangible capital assets	**(20,330)**	(279,878)
Net increase (decrease) in cash and cash equivalents	**1,926**	(2,276)
Cash and cash equivalents, beginning of year	**5,467**	7,743
Cash and cash equivalents, end of year	**$ 7,393**	$ 5,467

See accompanying notes to the financial statements.

1. Purpose of the organization

Murchison Foundation Inc. (the "Foundation") is an incorporated non-profit organization and is a registered charity under the Income Tax Act.

The Foundation operates bingo facilities in Charlottetown, Summerside and Alberton which provide a primary source of funding to Canadian Mental Health Association – Prince Edward Island Division.

2. Summary of significant accounting policies

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Bingo, canteen, rental and satellite revenues are recognized when received.

Tangible capital assets

Tangible capital assets acquired are recorded at cost.

Rates and bases of depreciation applied to write-off the cost of tangible capital assets over their estimated lives are as follows:

Building	4%,	straight line
Equipment	20%,	straight line
Building improvement	20%,	straight line

When the Foundation recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

Inventory

Inventory is valued at the lower of cost and net realizable value. Costs include all expenses directly attributable to the purchase and delivery of the product to the Foundation's locations. Costs are assigned using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, net of bank indebtedness. Bank borrowings are considered to be financing activities.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from estimates used in these financial statements. Significant estimates include amortization of tangible capital assets.

2. Summary of significant accounting policies (continued)

Financial assets and liabilities

The Foundation accounts for the following as financial instruments: cash and cash equivalents; receivables; bank indebtedness; payables and accruals; and long-term debt. Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value, except for certain non-arm's length transactions. At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost, less any reduction for impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

3. Tangible capital assets

			2015	2014
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land				
Charlottetown	$ 303,965	$ -	**$ 303,965**	$ 303,965
Summerside	-	-	**-**	24,000
	303,965	-	**303,965**	327,965
Building				
Charlottetown	1,018,076	356,817	**661,259**	701,981
Summerside – [redacted]	-	-	**-**	131,909
Summerside – [redacted]	293,215	22,750	**270,465**	264,496
	1,311,291	379,567	**931,724**	1,098,386
Equipment				
Charlottetown	215,231	207,767	**7,464**	8,330
Summerside – [redacted]	55,538	55,051	**487**	731
Summerside – [redacted]	4,361	1,744	**2,617**	3,489
Alberton	1,297	1,297	**-**	-
	276,427	265,859	**10,568**	12,550
	$ 1,891,683	$ 645,426	**$ 1,246,257**	$ 1,438,901

4. Bank indebtedness

Bank indebtedness consists of $47,500 advance on a demand loan, a bank balance of $16,524 and $33,509 in outstanding cheques. The Foundation has an authorized operating line of credit of $50,000, bearing interest at prime plus 2.5%, of which, $2,500 was unused as at March 31, 2015. Prime as of March 31, 2015 was 2.85% (2014 – 3.00%, 2012 – 3.00%). For details of the security provided for the line of credit, see Note 6.

5. Payables and accruals	**2015**	2014
Accounts payable	**$ 50,415**	$ 48,200
Due to C.M.H.A.	**20,835**	42,501
Government remittances	**2,936**	3,567
	$ 74,186	$ 94,268

6. Long-term debt	**2015**	2014
Prime + 2.75% loan, repayable in monthly instalments of $1,138, including principal and interest,	**$ 129,528**	$ 136,350
4.8% mortgage, amortized to 2023, due in 2017, repayable in monthly instalments of $5,320, including principal and interest. See below for general security assigned to the loan.	**378,439**	423,000
4.99% mortgage, due August, 2018, repayable in biweekly instalments of $800, including principal and interest, secured by a collateral mortgage on land and building at [redacted].	**180,986**	192,480
	688,953	751,830
Less: debt maturing within one year	**-**	136,350
current portion	**70,497**	56,293
	$ 618,456	$ 559,187

As additional security for the long term debt, the Foundation has provided a general security agreement constituting a first charge over all property, a first fixed charge on lands and improvements located at [redacted]

6. Long-term debt (continued)

Debts maturing in one year are included as a current liability. Expected principal repayments in each of the next five years are as follows: 2016 - $70,497; 2017 - $75,358; 2018 - $78,367; 2019 - $81,562 and 2020 - $85,562.

7. Other income

		2015		2014
Rent income, net	$	**48,267**	$	43,865
Donation		**5,031**		5,648
	$	**53,298**	$	49,513

8. Financial instruments

The Foundation's risk exposure and the impact on the Foundation's financial instruments are summarized below:

Interest rate risk
Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Foundation to interest rate risk include financial liabilities with floating interest rates. The Foundation currently has a line of credit which is exposed to interest rate risk due to floating rates.

Liquidity risk
Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation ensures that is has sufficient capital to meet short term financial obligations after taking into account its operations and cash on hand. The Foundation actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.