

THE BEAVERBROOK ART GALLERY

FINANCIAL STATEMENTS

DECEMBER 31, 2020

THE BEAVERBROOK ART GALLERY

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Shannon & Buffett, LLP

Chartered Professional Accountants

Garry L. Armstrong, CPA, CA Claude C. Leger, CPA, CA
Ron W. Sauntry, CPA, CA

June 11, 2021

Independent Auditors' Report

To the members of:
The Beaverbrook Art Gallery

Opinion

We have audited the financial statements of The Beaverbrook Art Gallery (the Gallery), which comprise the statement of financial position as at December 31, 2020, the statement of operations and changes in fund balances, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Beaverbrook Art Gallery as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for Not-For-Profit Organizations.

Basis for Opinion

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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 and fair presentation 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 Beaverbrook Art Gallery'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 Gallery or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the The Beaverbrook Art Gallery's financial reporting process.

Continued...

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 Canadian generally accepted auditing standards, 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 Gallery'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 Beaverbrook Art Gallery'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 Beaverbrook Art Gallery 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.


Chartered Professional Accountants

THE BEAVERBROOK ART GALLERY

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2020

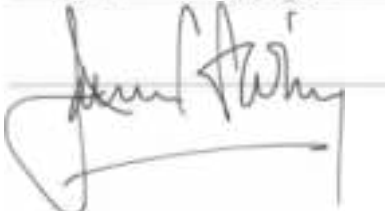
	ASSETS						Total 2020	Total 2019
	Operating Fund	Lord Beaverbrook Fund (Unrestricted)	Acquisition Fund (Unrestricted)	Senator Richard Hatfield Memorial Fund (Restricted)	Endowment 2012 (Restricted)			
Current:								
Cash and cash equivalents	\$ 434,084	\$ -	\$ -	\$ -	\$ -	\$ 434,084	\$ 1,062,648	
Investments	-	1,674,999	134,269	4,253,499	7,816,610	13,879,377	12,696,557	
Receivables	259,374	-	-	-	-	259,374	103,251	
Inventory	9,898	-	-	-	-	9,898	55,527	
Prepaid expenses	<u>795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795</u>	<u>59,734</u>	
	704,151	1,674,999	134,269	4,253,499	7,816,610	14,583,528	13,977,717	
Interfund receivables	84,160	-	-	52,220	-	136,380	136,380	
Restricted funds (note 2)	100,000	-	-	-	-	100,000	100,000	
Capital assets (note 3)	18,657,503	-	-	-	-	18,657,503	17,199,291	
Paintings and works of art	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	
	<u>\$ 19,545,815</u>	<u>\$ 1,674,999</u>	<u>\$ 134,269</u>	<u>\$ 4,305,719</u>	<u>\$ 7,816,610</u>	<u>\$ 33,477,412</u>	<u>\$ 31,413,389</u>	

LIABILITIES							
Current:							
Bank indebtedness (note 4)	\$ 834,837	\$ -	\$ -	\$ -	\$ -	\$ 834,837	\$ 1,795,000
Demand loan (note 5)	-	-	-	-	-	-	199,826
Payables and accruals	599,806	674	151	4,776	7,794	613,201	327,124
Deferred revenue (note 6)	<u>3,588,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,588,952</u>	<u>790,130</u>
	5,023,595	674	151	4,776	7,794	5,036,990	3,112,080
Interfund payables	-	46,372	-	-	90,008	136,380	136,380
Deferred contributions (note 7)	<u>13,311,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,311,210</u>	<u>13,828,800</u>
	<u>18,334,805</u>	<u>47,046</u>	<u>151</u>	<u>4,776</u>	<u>97,802</u>	<u>18,484,580</u>	<u>17,077,260</u>

FUND BALANCES							
Unrestricted	(4,235,283)	1,627,953	134,118	-	-	(2,473,212)	(92,584)
Invested in capital assets	5,346,293	-	-	-	-	5,346,293	3,370,491
Externally restricted (note 2)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>4,300,943</u>	<u>7,718,808</u>	<u>12,119,751</u>	<u>11,058,222</u>
	<u>1,211,010</u>	<u>1,627,953</u>	<u>134,118</u>	<u>4,300,943</u>	<u>7,718,808</u>	<u>14,992,832</u>	<u>14,336,129</u>
	<u>\$ 19,545,815</u>	<u>\$ 1,674,999</u>	<u>\$ 134,269</u>	<u>\$ 4,305,719</u>	<u>\$ 7,816,610</u>	<u>\$ 33,477,412</u>	<u>\$ 31,413,389</u>

On behalf of the Board:

 Director

 Director

Shannon & Buffett, LLP
Chartered Professional Accountants

THE BEAVERBROOK ART GALLERY

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Lord Beaverbrook Fund	Unrestricted Acquisition Fund	Restricted Senator Richard Hatfield Memorial Fund	Endowment 2012	Total 2020	Total 2019
Revenues:							
Fees, sales, donations and other revenue (note 8)	\$ 98,880	\$ -	\$ -	\$ -	\$ -	\$ 98,880	\$ 560,063
Investment (note 16)	-	(9,964)	8,504	445,856	660,065	1,104,461	1,935,841
Grants and contributions (note 9)	1,754,800	-	-	-	-	1,754,800	1,571,386
Deferred contributions (note 7)	517,590	-	-	-	-	517,590	318,549
	<u>2,371,270</u>	<u>(9,964)</u>	<u>8,504</u>	<u>445,856</u>	<u>660,065</u>	<u>3,475,731</u>	<u>4,385,839</u>
Expenses:							
Administration (note 10)	285,007	-	-	-	-	285,007	390,648
Building maintenance (note 11)	296,143	-	-	-	-	296,143	311,766
Collections	37,619	-	-	-	-	37,619	40,537
Exhibitions	242,691	-	-	-	-	242,691	351,343
Programming and outreach	41,955	-	-	-	-	41,955	87,472
Interest - construction financing	13,253	-	-	-	-	13,253	64,304
Investment management fees	-	4,998	233	12,580	29,100	46,911	58,162
Marketing and promotion	18,359	-	-	-	-	18,359	94,456
Salary and benefits	1,209,031	-	-	-	-	1,209,031	1,437,375
Amortization	628,059	-	-	-	-	628,059	629,020
	<u>2,772,117</u>	<u>4,998</u>	<u>233</u>	<u>12,580</u>	<u>29,100</u>	<u>2,819,028</u>	<u>3,465,083</u>
Excess revenue (expenses)	(400,847)	(14,962)	8,271	433,276	630,965	656,703	920,756
Interfund transfers - (note 12)	<u>(127,407)</u>	<u>4,692</u>	<u>125,427</u>	<u>(5,225)</u>	<u>2,513</u>	<u>-</u>	<u>-</u>
Increase (decrease) in fund balances	(528,254)	(10,270)	133,698	428,051	633,478	656,703	920,756
Fund balances, beginning of year	<u>1,739,264</u>	<u>1,638,223</u>	<u>420</u>	<u>3,872,892</u>	<u>7,085,330</u>	<u>14,336,129</u>	<u>13,415,373</u>
Fund balances, end of year	<u>\$ 1,211,010</u>	<u>\$ 1,627,953</u>	<u>\$ 134,118</u>	<u>\$ 4,300,943</u>	<u>\$ 7,718,808</u>	<u>\$ 14,992,832</u>	<u>\$ 14,336,129</u>

THE BEAVERBROOK ART GALLERY
STATEMENT OF CASH FLOWS - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Cash generated from (used in):		
Operating activities:		
Excess (expenses over revenue) - operating fund	\$ (400,847)	\$ (956,924)
Amortization of capital assets	628,059	629,020
Amortization of deferred contributions	<u>(517,590)</u>	<u>(318,549)</u>
	(290,378)	(646,453)
Net change in non-cash working capital (note 13)	<u>3,035,481</u>	<u>(88,372)</u>
	<u>2,745,103</u>	<u>(734,825)</u>
Financing activities:		
Increase in (repayments of) bank indebtedness	(960,163)	140,000
Interfund transfers	(127,407)	1,704,058
Repayment of loans	(199,826)	(50,000)
Receipt (use) of deferred contributions	<u>-</u>	<u>358,897</u>
	<u>(1,287,396)</u>	<u>2,152,955</u>
Investing activities:		
Additions to capital assets	<u>(2,086,271)</u>	<u>(476,842)</u>
Increase (decrease) in cash position	(628,564)	941,288
Cash position, beginning of year	<u>1,062,648</u>	<u>121,360</u>
Cash position, end of year	<u>\$ 434,084</u>	<u>\$ 1,062,648</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Nature of operations:

The Beaverbrook Art Gallery (the Gallery) operates and manages the Beaverbrook Art Gallery in Fredericton, New Brunswick. These operations include various cultural activities primarily centered around, but not limited to, the exhibition of works of art. The Gallery is a registered charity for income tax purposes and is therefore exempt from income tax under the Income Tax Act of Canada.

1. Significant accounting policies:

(a) Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of reporting revenues. The financial position and operations of the Gallery are presented using the Fund Accounting Method.

The specific funds in use are as follows:

Operating Fund

This fund consists of all amounts not internally or externally restricted and primarily relate to the day to day operations of the Gallery and the related assets and liabilities.

Lord Beaverbrook Fund

The assets of this fund grew from a gift to the Gallery from the Right Hon. William Maxwell Baron Beaverbrook in 1957. The primary purpose of this fund is to generate investment income to assist in supporting the operations of the Gallery.

Acquisition Fund

The assets of the Acquisition Fund are internally restricted and arose from contributions to the Gallery and transfers from unrestricted funds. Funds from the Acquisitions Fund are used for costs relating to the purchase of works of art.

Senator Richard Hatfield Memorial Fund

The assets of this externally restricted fund grew from an initial contribution of \$2,000,000 during 1992 - 1994 from the Federal Government Ministry of Communication. This contribution is to be used to fund acquisitions of Canadian works of art, for the establishment and operation of exhibitions and education extension programs. A percentage of the investment income may also be used to fund certain administrative expenses upon approval of the Government of Canada.

Externally Restricted Endowment Fund 2012

The assets of the Endowment Fund 2012 are being accumulated from funds contributed through the capital campaign that is currently underway. The primary purpose of this fund is to generate contributions and investment income to assist in supporting the charitable purposes of the Gallery. The terms of the endowment are such that no encroachment of original principal may be made for a period of ten years from the date of original gift. Any withdrawals of principal require approval by a special majority of the board of directors as well as the written consent of the Province of New Brunswick.

All balances due amongst funds are non-interest bearing and have no set terms of repayment.

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Significant accounting policies (continued):

(b) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

(d) Capital assets

Land and buildings acquired before 1970 are recorded at their estimated replacement cost as at December 31, 1970. Additions since that date have been capitalized at cost. The cost of assets constructed over time includes materials, labour and interest costs directly attributable to the construction activity. Capitalization of interest cost ceases when the asset is substantially complete and ready for use. No amortization is recorded for assets under construction.

Amortization of the building is provided for on the straight line basis over 40 years. All purchases of equipment, furniture and fixtures are capitalized and amortized at 20% per year on a declining balance basis.

(e) Paintings and other works of art

The Gallery's collection of works of art is recorded at a nominal amount. Costs relating to the acquisition of works of art for the collection are included in expenses in the period in which they are incurred.

(f) Investments

Investments are recorded at fair value using quoted market prices with changes in fair value recognized as unrealized gains or losses in net income. Transaction costs related to the purchase of investments are charged to income in the period they occur.

(g) Cash and cash equivalents

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

(h) Use of estimates

In preparing the Gallery'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 amounts could differ from these estimates.

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Significant accounting policies (continued):

(i) Financial instruments

(i) Measurement of financial instruments

The Gallery initially measures its financial instruments at fair value.

The Gallery subsequently measures its financial instruments at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Gallery has elected to carry investments at fair value.

Transaction costs on the acquisition of financial instruments subsequently carried at fair value are expensed as incurred. The carrying value of all other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(ii) Impairment

At the end of each reporting period the Gallery assesses whether there are any indications that the financial asset measured at amortized cost may be impaired.

When there is an indication of impairment, the Gallery determines whether a significant adverse change has occurred during the period in the expected timing or amount of future in cash flows from the financial asset. Where there is a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of future cash flows, the amount that could be realized from selling the financial asset or the amount that could be realized from exercising any collateral. If events and circumstances reverse in a future period, an impairment loss may be reversed to the extent of the improvement, not exceeding the initial carrying value. In both 2019 and 2020 no such impairments have occurred.

(j) Allocation of expenses

Overhead and wage expenses are allocated to the capital campaign on the following bases:

Wages and benefits	Employees primarily responsible for capital campaign activities are fully charged to the capital campaign. General administration wages are allocated based on estimated percentage of time spent on the capital campaign.
Overhead	Overhead expenses are allocated based on estimated percentage of usage of the facilities involved.

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. Restricted funds:

Restricted funds reflected under the operating fund column relate to a working capital reserve funded by the NB Foundation for the Arts.

3. Capital assets - operating fund:

	<u>-----2020-----</u>			<u>-----2019-----</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building:				
Original building	\$ 1,395,284	\$ 1,153,386	\$ 241,898	\$ 276,781
East wing	3,298,550	3,166,023	132,527	214,991
North and south wall reconstruction	389,583	331,147	58,436	68,175
Marion McCain Atlantic Gallery	1,368,092	889,261	478,831	513,033
Building retrofit	1,278,551	723,904	554,647	586,611
Phase 1 improvements	3,787,404	1,041,716	2,745,688	2,840,373
Harriet Irving Gallery Pavilion	1,821,086	218,332	1,602,754	1,648,282
	<u>11,643,006</u>	<u>1,156,507</u>	<u>10,486,499</u>	<u>10,777,574</u>
	24,981,556	8,680,276	16,301,280	16,925,820
Projects in progress	<u>2,341,823</u>	<u>-</u>	<u>2,341,823</u>	<u>255,551</u>
Equipment	<u>242,565</u>	<u>228,165</u>	<u>14,400</u>	<u>17,920</u>
	<u>\$ 27,565,944</u>	<u>\$ 8,908,441</u>	<u>\$ 18,657,503</u>	<u>\$ 17,199,291</u>

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. Bank indebtedness:

	<u>2020</u>	<u>2019</u>
Royal Bank of Canada revolving demand facility to a maximum of \$1,000,000, interest payable monthly at prime plus 0.25%.	\$ 694,837	\$ 835,000
Royal Bank of Canada revolving demand facility to a maximum of \$1,385,000 or 100% of outstanding pledges associated with the 2017 Gallery expansion, whichever is lower. Interest payable monthly at prime plus 0.25%.	<u>140,000</u>	<u>960,000</u>
	<u>\$ 834,837</u>	<u>\$ 1,795,000</u>

The above debts are secured by a General Security Agreement, a collateral mortgage over Gallery property and assignment of the proceeds of all pledges made towards the construction of the Gallery expansion (this relates to the revolving demand facility to a maximum of \$4,900,000).

5. Demand loan:

	<u>2020</u>	<u>2019</u>
Province of New Brunswick, Regional Development Corporation, demand loan. Retired during 2020.	<u>\$ -</u>	<u>\$ 199,826</u>

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Deferred revenue:

	<u>Opening Balances</u>	<u>Funds Received</u>	<u>Revenue Recognized</u>	<u>Closing Balances 2020</u>
Nellie Alberta Peacock Taylor Fund	\$ 45,572	\$ -	\$ -	\$ 45,572
Mary Hashey	25,224	-	-	25,224
Canadian Heritage	25,000	-	25,000	-
Canada Council for the Arts	45,000	122,000	167,000	-
Toronto Dominion Bank - Capital Maintenance fund	10,000	30,000	-	40,000
Funds related to various exhibitions and publications	<u>44,001</u>	<u>77,822</u>	<u>49,000</u>	<u>72,823</u>
Total deferred operating fund revenue	<u>194,797</u>	<u>229,822</u>	<u>241,000</u>	<u>183,619</u>
Capital Campaign - funds deferred for:				
Infrastructure projects	-	2,810,000	-	2,810,000
Programs	461,943	-	-	461,943
Endowment	<u>133,390</u>	<u>-</u>	<u>-</u>	<u>133,390</u>
Total deferred Capital Campaign	<u>595,333</u>	<u>2,810,000</u>	<u>-</u>	<u>3,405,333</u>
	<u>\$ 790,130</u>	<u>\$3,039,822</u>	<u>\$ 241,000</u>	<u>\$3,588,952</u>

THE BEAVERBROOK ART GALLERY

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7. Deferred contributions:

The Gallery has received donations for the acquisition of building facilities and improvements as follows:

<u>Assets</u>	<u>Value</u> <u>(Year of acquisition)</u>	<u>Year</u> <u>Acquired</u>
Contributions prior to 2010	\$ 7,445,827	1970 to 2008
Phase I Revitalization	3,525,898	2013 to 2015
Harriet Irving Gallery	1,448,933	2016
Pavilion and related costs	8,349,218	2017 and 2018
East wing renovations	<u>368,687</u>	2017
	<u>\$ 21,138,563</u>	

These unamortized contributions are recognized as revenue at the same rate as the related building facilities and improvements are amortized.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 13,828,800	\$ 13,788,452
Add: contributions allocated	-	358,897
Less: amortization (transfer to operating revenue)	<u>(517,590)</u>	<u>(318,549)</u>
Balance, end of year	<u>\$ 13,311,210</u>	<u>\$ 13,828,800</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

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8. Revenue - fees, sales, donations and other revenue:

	<u>2020</u>	<u>2019</u>
General fund:		
Admissions	\$ 11,561	\$ 73,071
Advertising	-	5,900
Annual appeal	1,550	28,895
Catalogues and book sales	169	4,691
Donations	1,860	41,912
Education program	20,881	69,676
Exhibition rentals, crating and shipping	-	10,000
Fundraising and special events	322	113,657
Gift shop (net of cost of sales - \$7,777, 2019 - \$34,850)	5,178	14,805
Cost recoveries	-	13,470
Loan fees	10,750	-
Membership fees	7,405	47,747
Miscellaneous	21,020	3,254
Rentals	<u>18,184</u>	<u>116,071</u>
Total operating fund fees, sales, donations and other revenue	98,880	543,149
Capital Campaign:		
Portion of contributions retained for administration (7% of total contributions)	<u>-</u>	<u>16,914</u>
	<u>\$ 98,880</u>	<u>\$ 560,063</u>

9. Revenue - grants and contributions:

	<u>2020</u>	<u>2019</u>
C.E. Baker Trust	\$ 6,845	\$ 9,300
Canada Council	122,000	82,000
City of Fredericton	27,500	36,800
Federal grants	547,741	159,500
Program grants, donations and fundraising	331,706	433,705
Province of New Brunswick	694,008	825,081
The Tecolote Foundation	<u>25,000</u>	<u>25,000</u>
	<u>\$ 1,754,800</u>	<u>\$ 1,571,386</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

10. Expenses - administration:

	<u>2020</u>	<u>2019</u>
Information technology	\$ 64,789	\$ 131,735
Insurance	87,963	72,881
Interest and bank charges	9,074	12,979
Inventory adjustments - Gift Shop	40,863	-
Miscellaneous	-	3,852
Off-site storage	5,406	17,267
Office	4,637	13,876
Postage	6,948	8,221
Printing	786	7,688
Professional fees	33,498	45,470
Telephone	20,461	22,336
Travel and conferences	<u>10,582</u>	<u>54,343</u>
	<u>\$ 285,007</u>	<u>\$ 390,648</u>

11. Expenses - building maintenance and repairs:

	<u>2020</u>	<u>2019</u>
Building and equipment repairs	\$ 177,262	\$ 192,482
Electricity	107,474	111,868
Steam heat/water	<u>11,407</u>	<u>7,416</u>
	<u>\$ 296,143</u>	<u>\$ 311,766</u>

12. Transfers between funds:

Amounts transferred from the Lord Beaverbrook Fund, the Endowment fund, the Senator Richard Hatfield Memorial Fund and the Endowment Fund 2012 to the Operating Fund for the purposes of funding operations as allowed within the terms of each fund.

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13. Net change in non-cash working capital:

	<u>2020</u>	<u>2019</u>
Decrease (increase) in accounts receivable	\$ (156,123)	\$ (58,015)
Decrease (increase) in inventory	45,629	5,253
Decrease (increase) in prepaid expenses	58,939	69,007
Increase (decrease) in accounts payable and accrued liabilities	288,214	208,388
Increase (decrease) in deferred revenue	<u>2,798,822</u>	<u>(313,005)</u>
	<u>\$ 3,035,481</u>	<u>\$ (88,372)</u>

14. Financial instruments:

The Gallery is exposed to the following risks through its financial instruments:

Credit risk -

The Gallery is exposed to credit risk with regards to its cash, accounts receivable and fixed income investments. Credit risk is the risk that a party may default on their financial obligations to the Gallery. The Gallery manages this risk by diversifying its fixed income investments by issuer and sector, dealing with major chartered banks and related institutions as well as other reputable institutions.

Liquidity risk -

Liquidity risk is the risk that the Gallery will not be able to meet a demand for cash or fund its obligations as they come due. The Gallery is exposed to liquidity risk and manages that risk through monitoring, budgeting and maintaining sufficient reserves to offset any foreseeable demand for liquidity.

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14. Financial instruments (continued):

Market risk -

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. The Gallery is exposed to the three components of market risk through its portfolio investments and manages these risks by investing in a diversified portfolio through balanced pooled funds as well as on-going monitoring of those funds. As described in note 15, volatility in the financial markets has increased substantially subsequent to the year end due to the Covid-19 pandemic. The effect of this increased volatility on the financial instruments of the Gallery is currently unknown, but may be material.

Changes in risk -

With the exception of the subsequent increased market risk exposure relating to the Covid-19 pandemic, there have been no significant changes in the Gallery's risk exposures from the prior year.

15. Contingency:

The worldwide Covid-19 pandemic, which began affecting Canada early in 2020, has caused multiple jurisdictions around the world (including the Province of New Brunswick) to declare states of emergency and impose various business and personal restrictions, as well as other measures. Known impacts on the Gallery include disruptions and/or restrictions on employees' ability to work, closing the Gallery to the public resulting in lost admissions, rental and related revenue, possible reductions in donations from individuals and businesses, potential curtailment of new government contributions and changes to the daily operating environment. The effects of the pandemic have resulted in a significant increase in the volatility of financial markets which may have a negative impact on the investments of the Gallery. There may be additional impacts on the Gallery that have not yet been identified, the future effects of this pandemic are unknown and may be material.

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16. Investment income:

Investments are held in pooled funds and are presented at fair market value based on publicly available quotations.

	<u>Lord Beaverbrook Fund</u>		<u>Unrestricted Acquisition Fund</u>		<u>Senator Richard Hatfield Memorial Fund</u>		<u>2012 Endowment Fund</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Income distribution	\$ -	\$ 81,932	\$ 4,451	\$ 21	\$ 118,172	\$ 185,797	\$ 196,672	\$ 348,937	\$ 319,295	\$ 616,687
Realized gains	69,280	40,960	3,367	2,138	266,061	22,432	9,496	5,992	348,204	71,522
Unrealized gains (losses)	<u>(79,244)</u>	<u>168,775</u>	<u>686</u>	<u>858</u>	<u>61,623</u>	<u>353,695</u>	<u>453,897</u>	<u>724,304</u>	<u>436,962</u>	<u>1,247,632</u>
Total investment income	\$ <u>(9,964)</u>	\$ <u>291,667</u>	\$ <u>8,504</u>	\$ <u>3,017</u>	\$ <u>445,856</u>	\$ <u>561,924</u>	\$ <u>660,065</u>	\$ <u>1,079,233</u>	\$ <u>1,104,461</u>	\$ <u>1,935,841</u>