

THE BEAVERBROOK ART GALLERY

FINANCIAL STATEMENTS

DECEMBER 31, 2013

THE BEAVERBROOK ART GALLERY

FINANCIAL STATEMENTS

TABLE OF CONTENTS

DECEMBER 31, 2013

	<u>PAGE</u>
Auditors' report.....	1
Financial statements:	
- Statement of financial position.....	2
- Statement of operations and changes in fund balances.....	3
- Statement of cash flows.....	4
Notes to the financial statements.....	5 - 16

Shannon & Buffett, LLP

Chartered Accountants

Page 1

HAL C. BUFFETT, B.A., C.A. GARRY L. ARMSTRONG, B.SC., C.A.
CLAUDE LEGER, B.B.A., C.G.A., C.A. RON W. SAUNTRY, B.B.A., C.A.

April 1, 2014

Independent Auditors' Report

To the members of:
Beaverbrook Art Gallery

We have audited the accompanying financial statements of Beaverbrook Art Gallery, which comprise the statement of financial position as at December 31, 2013 and the statement of operations, statement of fund balances and statement 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 misstatements, 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 that 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 auditors' 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beaverbrook Art Gallery as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.


Chartered Accountants

THE BEAVERBROOK ART GALLERY

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2013

	ASSETS					Total	Total
	Operating Fund	Lord Beaverbrook Fund (Unrestricted)	Endowment Fund (Unrestricted)	Senator Richard Hatfield Memorial Fund (Restricted)	Endowment 2012 (Unrestricted)	Capital Campaign	2012
Current:	\$ 87,078	\$ 1,846,121	\$ 2,344,211	\$ 3,980,354	\$ 1,434,622	\$ 503,165	\$ 384,581
Cash and cash equivalents	-	-	-	-	-	-	8,922,738
Investments	46,804	-	-	-	-	7,808	45,620
Receivables	31,744	-	-	-	-	-	43,933
Inventory	9,099	-	-	-	-	-	24,083
Prepaid expenses	-	-	-	-	-	-	-
Interfund receivable	174,725	1,846,121	2,344,211	3,980,354	1,434,622	510,973	9,420,955
Restricted cash (note 2)	158,775	-	-	48,673	19,419	-	327,798
Capital assets (note 3)	100,000	-	-	-	-	-	100,000
Paintings and works of art (note 4)	6,016,394	-	-	-	-	224,402	6,348,606
	\$ 6,449,895	\$ 1,846,121	\$ 2,344,211	\$ 4,029,027	\$ 1,454,041	\$ 735,375	\$ 16,197,360

	LIABILITIES					Total	Total
	Current	Deferred revenue (note 6)	Interfund payables	Deferred contributions (note 7)	Unrestricted invested in capital assets	Externally restricted (note 2)	2012
Current:	\$ -	\$ 2,375	\$ 46,943	\$ 8,030,720	\$ -	\$ -	\$ 8,106
Cheques issued in excess of funds on deposit	2,000,000	-	-	-	-	-	2,000,000
Demand loan (note 5)	286,419	-	-	-	-	-	569,582
Payables and accruals	280,165	-	-	-	-	-	813,642
Deferred revenue (note 6)	-	2,375	-	-	-	-	-
Interfund payables	2,566,584	-	46,943	-	-	-	3,391,330
Deferred contributions (note 7)	-	-	-	5,464,136	-	-	327,798
Unrestricted invested in capital assets	-	-	-	-	1,143,470	-	5,699,499
Externally restricted (note 2)	-	-	-	-	179,924	-	3,631,410
	\$ -	\$ 2,375	\$ 46,943	\$ 8,030,720	\$ -	\$ -	\$ 9,418,627

FUND BALANCES

Unrestricted	(2,233,083)	1,796,803	2,342,667	-	1,452,773	(812,421)	2,498,216
Invested in capital assets	552,258	-	-	-	-	224,402	649,107
Externally restricted (note 2)	100,000	-	-	-	-	-	3,631,410
	(1,580,825)	1,796,803	2,342,667	4,024,253	1,452,773	(588,019)	6,778,733
	\$ 6,449,895	\$ 1,846,121	\$ 2,344,211	\$ 4,029,027	\$ 1,454,041	\$ 735,375	\$ 16,197,360

On behalf of the Board:

 Director

 Director

THE BEAVERBROOK ART GALLERY

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Operating Fund	Lord Beaverbrook Fund	Unrestricted Endowment Fund	Restricted Senator Richard Hatfield Memorial Fund	Endowment 2012	Capital Campaign	Total 2013	Total 2012
Revenues:								
Fees, sales, donations and other revenue (note 8)	\$ 633,572	\$ -	\$ -	\$ -	\$ -	\$ 87,091	\$ 720,663	\$ 454,452
Investment income (note 19)	21,729	284,357	306,300	509,753	156,437	-	1,278,576	647,353
Grants and contributions (note 9)	709,095	-	-	-	258,361	-	967,456	2,041,717
Deferred contributions	291,162	-	-	-	-	-	291,162	291,597
	<u>1,655,558</u>	<u>284,357</u>	<u>306,300</u>	<u>509,753</u>	<u>414,798</u>	<u>87,091</u>	<u>3,257,857</u>	<u>3,435,119</u>
Expenses:								
Administration (note 10)	306,475	-	-	-	-	-	306,475	271,437
Building maintenance (note 11)	253,703	-	-	-	-	-	253,703	162,788
Collections	210	-	-	-	-	-	210	48,080
Exhibitions	173,745	-	-	-	-	-	173,745	375,971
Programming and outreach	30,120	-	-	-	-	-	30,120	28,578
Management fees	-	9,454	10,036	16,910	5,000	-	41,400	38,262
Marketing and promotion	87,036	-	-	-	-	-	87,036	73,842
Salary and benefits	967,870	-	-	-	-	-	967,870	1,128,776
Capital Campaign (note 12)	-	-	-	-	-	342,641	342,641	314,861
Amortization	291,162	-	-	-	-	861	292,023	292,239
	<u>2,110,321</u>	<u>9,454</u>	<u>10,036</u>	<u>16,910</u>	<u>5,000</u>	<u>343,502</u>	<u>2,495,223</u>	<u>2,734,834</u>
Excess revenue (expenses) before litigation and settlement proceeds	(454,763)	274,903	296,264	492,843	409,798	(256,411)	762,634	700,285
Litigation (note 16)	(93,715)	-	-	-	-	-	(93,715)	(177,220)
Settlement proceeds (note 17)	-	-	-	-	-	-	-	10,455
Excess revenue (expenses)	(548,478)	274,903	296,264	492,843	409,798	(256,411)	668,919	533,520
Interfund transfers	813,682	(611,250)	(161,042)	-	(41,390)	-	-	-
Increase (decrease) in funds	265,204	(336,347)	135,222	492,843	368,408	(256,411)	668,919	533,520
Fund balances, beginning of year	(1,846,029)	2,133,150	2,207,445	3,531,410	1,084,365	(331,608)	6,778,733	6,245,213
Fund balances, end of year	<u>\$(1,580,825)</u>	<u>\$ 1,796,803</u>	<u>\$ 2,342,667</u>	<u>\$ 4,024,253</u>	<u>\$ 1,452,773</u>	<u>\$ (588,019)</u>	<u>\$ 7,447,652</u>	<u>\$ 6,778,733</u>

THE BEAVERBROOK ART GALLERY
STATEMENT OF CASH FLOWS - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Cash generated from (used in):		
Operating activities:		
Excess (expenses over revenue) - operating fund	\$ (548,478)	\$ (919,025)
Amortization of capital assets	291,162	291,162
Amortization of deferred contributions	<u>(291,162)</u>	<u>(291,597)</u>
	(548,478)	(919,460)
Net change in non-cash working capital (note 13)	<u>(225,820)</u>	<u>502,025</u>
	<u>(774,298)</u>	<u>(417,435)</u>
Financing activities:		
Interfund transfers	813,682	300,803
Increase in (repayment of) loans - net	<u>-</u>	<u>(5,600,000)</u>
	<u>813,682</u>	<u>(5,299,197)</u>
Investing activities:		
Receipt of deferred contributions	<u>55,800</u>	<u>-</u>
Increase (decrease) in cash position	95,184	(5,716,632)
Cash position, beginning of year	<u>(8,106)</u>	<u>5,708,526</u>
Cash position, end of year	<u>\$ 87,078</u>	<u>(8,106)</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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) Fund accounting:

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants (CICA) using the deferral method of reporting revenues. The financial position and operations of the Gallery are presented using the Fund Method.

The specific funds in use are as follows:

Operating fund

These funds consist 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.

Unrestricted Endowment Fund

The assets the Endowment Fund accumulated over many years from various contributions to the Gallery. The primary purpose of this fund is to generate contributions and investment income to assist in supporting the operations of the Gallery.

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.

Unrestricted Endowment Fund 2012

The assets 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 operations of the Gallery.

Capital Campaign

The capital campaign is a temporary fund the purpose of which is to generate contributions to support proposed infrastructure projects and to provide capital for the Endowment Fund - 2012.

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, 2013

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 replacement cost as at December 31, 1970. Additions since that date have been capitalized at cost. Amortization of the building is provided for on a straight line basis over 40 years. No amortization is recorded for assets under construction.

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.

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.

THE BEAVERBROOK ART GALLERY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2013****3. Capital assets - operating fund:**

	<u>-----2013-----</u>			<u>2012</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building:				
Original building	\$ 1,185,493	\$ 935,435	\$ 250,058	\$ 279,696
East wing	3,298,550	2,588,776	709,774	792,238
North and south wall reconstruction	389,583	262,970	126,613	136,353
Marion McCain Atlantic Gallery	1,368,092	649,845	718,247	752,449
Building retrofit	1,278,551	500,157	778,394	810,358
Phase I renovations	<u>3,787,404</u>	<u>378,921</u>	<u>3,408,483</u>	<u>3,503,169</u>
	11,307,673	5,316,104	5,991,569	6,274,263
Equipment	<u>209,530</u>	<u>184,705</u>	<u>24,825</u>	<u>33,295</u>
	<u>\$ 11,517,203</u>	<u>\$ 5,500,809</u>	<u>\$ 6,016,394</u>	<u>\$ 6,307,558</u>

Capital assets - development fund:

	<u>-----2013-----</u>			<u>2012</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Projects in progress	\$ 220,960	\$ -	\$ 220,960	\$ 36,745
Equipment	<u>10,091</u>	<u>6,649</u>	<u>3,442</u>	<u>4,303</u>
	<u>\$ 231,051</u>	<u>\$ 6,649</u>	<u>\$ 224,402</u>	<u>\$ 41,048</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

4. **Paintings and works of art:**

As at December 31, 2013, the permanent collection consisted of approximately 3,500 works of art. During the fiscal year ended December 31, 2013 there were no significant changes to the collection. Subsequent to the end of the fiscal year a dispute was settled, as described in note 16, which resulted in the gallery releasing its claim to 43 works that were previously included in the collection.

5. **Demand loan:**

	<u>2013</u>	<u>2012</u>
Province of New Brunswick, Regional Development Corporation, demand loan. The debt is secured by the assets of the gallery with the exception of the assets of the endowment fund and is non-interest bearing.	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>

Scheduled principal repayments within the next year are as follows:

2014 \$ 2,000,000

THE BEAVERBROOK ART GALLERY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2013****6. Deferred revenue:**

	<u>2012</u>	<u>Funds Received</u>	<u>Funds Expended</u>	<u>2013</u>
Nellie Alberta Peacock Taylor Fund	\$ 55,572	\$ -	\$ -	\$ 55,572
Sabat Memorial	6,099	-	3,970	2,129
Mary Hashey	29,824	-	-	29,824
Various funders - BAG				
Masterworks travelling exhibition	60,975	212,916	231,255	42,636
McCain Family	60,000	-	-	60,000
Toronto Dominion Bank - Capital				
Maintenance fund	-	55,800	13,950	41,850
Funds related to various exhibitions	<u>124,315</u>	<u>28,094</u>	<u>104,255</u>	<u>48,154</u>
Total deferred operating fund revenue	<u>336,785</u>	<u>296,810</u>	<u>353,430</u>	<u>280,165</u>
Capital Campaign - funds deferred for:				
Infrastructure projects	162,750	341,364	-	504,114
Programs	260,400	339,450	186,000	413,850
Unrestricted	<u>53,707</u>	<u>150,660</u>	<u>-</u>	<u>204,367</u>
Total deferred Capital Campaign revenue	<u>476,857</u>	<u>831,474</u>	<u>186,000</u>	<u>1,122,331</u>
	<u>\$ 813,642</u>	<u>\$ 1,128,284</u>	<u>\$ 539,430</u>	<u>\$ 1,402,496</u>

7. Deferred contributions:

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

<u>Assets</u>	<u>Sources</u>	<u>Value (Year of acquisition)</u>	<u>Year Acquired</u>
Original building	Lord Beaverbrook	<u>890,000</u>	1970
East Wing	Beaverbrook Canadian Foundation	1,074,877	1983
	City of Fredericton	20,000	
	Government of Canada	750,000	
	Province of New Brunswick	300,000	
	Vaughan Foundation	1,084,414	
	Friends of the Beaverbrook Art Gallery	<u>10,000</u>	
		<u>3,239,291</u>	
North and South Wall Reconstruction	Endowment Fund	<u>389,583</u>	1987
Marion McCain Atlantic Gallery	Harrison McCain	<u>1,368,092</u>	1995

Shannon & Buffett, LLP

Chartered Accountants

THE BEAVERBROOK ART GALLERYNOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 20137. **Deferred contributions (continued):**

Retrofit	Endowment Fund	<u>1,255,000</u>	1998
Various	Various	<u>103,861</u>	2001 to 2008
Building Fund	Joseph and Fanny Oppenheimer Foundation	<u>200,000</u>	2003 and 2004
Revitalization project - phase I			
	Atlantic Canada Opportunities Agency	1,872,448	2010
	Canadian Heritage	1,500,000	2010
	TD Bank	<u>55,800</u>	2013
Total Phase I Revitalization		<u>3,428,248</u>	
		<u>\$ 10,874,075</u>	

These donations have been recorded as deferred contributions and are recognized as revenue at the same rate as the related building facilities and improvements are amortized.

	<u>2013</u>	<u>2012</u>
Balance of deferred contributions, beginning of year	\$ 5,699,499	\$ 5,991,095
Add: contributions received	55,799	-
Less: amortization (transfer to operating revenue)	<u>(291,162)</u>	<u>(291,596)</u>
Balance of deferred contributions, end of year	<u>\$ 5,464,136</u>	<u>\$ 5,699,499</u>

THE BEAVERBROOK ART GALLERYNOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2013

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

	<u>2013</u>	<u>2012</u>
General fund:		
Admissions	\$ 41,765	\$ 35,248
Annual appeal	21,475	27,580
Catalogues and book sales	51,396	5,978
Education programme	85,653	86,861
Fundraising and special events	135,479	94,355
Gift shop (net of cost of sales - \$9,497, 2012 - \$6,829)	6,663	8,401
Loan fees	231,255	8,000
Memberships and donations	42,020	45,479
Miscellaneous	3,145	5,856
Photography	3,600	3,079
Rentals	<u>11,121</u>	<u>19,077</u>
Total operating fund fees, sales, donations and other revenue	633,572	339,914
Capital Campaign:		
Donations for programs and infrastructure	87,031	114,538
Other	<u>60</u>	<u>-</u>
	<u>\$ 720,663</u>	<u>\$ 454,452</u>

9. Revenue - grants and contributions:

	<u>2013</u>	<u>2012</u>
C.E Baker Trust	\$ 9,215	\$ 10,434
Program grants, donations and fundraising	268,084	386,122
Province of New Brunswick	316,796	504,306
Canada Council	45,000	40,500
City of Fredericton	30,000	30,500
The Tecolote Foundation	25,000	25,000
Federal grants	<u>15,000</u>	<u>-</u>
Total operating fund grants and contributions	709,095	996,862
Endowment 2012:		
Capital Campaign contributions	<u>258,361</u>	<u>1,044,855</u>
	<u>\$ 967,456</u>	<u>\$ 2,041,717</u>

THE BEAVERBROOK ART GALLERYNOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2013**10. Expenses - administration:**

	<u>2013</u>	<u>2012</u>
Information technology	\$ 6,931	\$ 12,747
Insurance	184,344	90,870
Interest and bank charges	10,651	10,583
Miscellaneous	1,249	11,793
Off-site storage	7,943	15,389
Office	15,607	19,361
Postage	8,931	10,591
Printing and translation	10,624	17,115
Professional fees	20,641	24,643
Purchases - special events	4,848	10,329
Telephone	30,022	32,653
Travel and conferences	<u>4,684</u>	<u>15,363</u>
	<u>\$ 306,475</u>	<u>\$ 271,437</u>

11. Expenses - building maintenance and repairs:

	<u>2013</u>	<u>2012</u>
Building and equipment repairs	\$ 127,260	\$ 47,694
Electricity	112,657	99,949
Security system	1,786	2,479
Steam heat	<u>12,000</u>	<u>12,666</u>
	<u>\$ 253,703</u>	<u>\$ 162,788</u>

12. Expenses - Capital Campaign:

	<u>2013</u>	<u>2012</u>
Consulting - Capital Campaign	\$ 13,950	\$ 34,571
Marketing and promotion	13,397	23,286
Miscellaneous	5,086	5,338
Office supplies and postage	3,305	8,592
Professional fees	4,045	999
Rent	30,000	30,000
Telephone	5,019	6,419
Travel	15,350	13,836
Salary & benefits	<u>252,489</u>	<u>191,820</u>
	<u>\$ 342,641</u>	<u>\$ 314,861</u>

THE BEAVERBROOK ART GALLERYNOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2013**13. Net change in non-cash working capital:**

	<u>2013</u>	<u>2012</u>
Decrease (increase) in accounts receivable	\$ (1,282)	\$ 561,302
Decrease (increase) in inventory	12,189	9,456
Decrease (increase) in prepaid expenses	12,857	142,430
Decrease (increase) in interfund accounts	76,829	(107,452)
Increase (decrease) in accounts payable and accrued liabilities	(269,794)	32,401
Increase (decrease) in deferred revenue	<u>(56,619)</u>	<u>(136,112)</u>
	<u>\$ (225,820)</u>	<u>\$ 502,025</u>

14. Employee future benefits:

The Gallery has a defined contribution pension plan for qualifying full time employees. Under the plan the Gallery contributes 5% of employee's earnings, not exceeding the limits set under the Income Tax Act of Canada. The amounts contributed in 2013 related to the pension plan was \$36,690 (2012 - \$38,653). The amount contributed is approximately the same as the expense included in the statement of operations and changes in fund balances.

15. Capital management:

Management considers capital to be the Gallery's fund balances. The Gallery's objective when managing capital is to maintain financial strength to sustain long-term delivery of its core services.

16. Subsequent events and contingencies:**Legal dispute over ownership of works of art:**

In 2004, legal actions were commenced by the Beaverbrook Canadian Foundation regarding disputes over ownership of certain works of art in the possession of the Gallery. Subsequent to the fiscal year ended December 31, 2013 a tentative settlement was reached resulting in no financial compensation either received or paid by the Gallery. The terms of settlement result in the both parties releasing their claims on some of the works that were in dispute.

No further action is expected to be taken with regard to this matter from either party.

THE BEAVERBROOK ART GALLERYNOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2013**17. Settlement proceeds:**

Proceeds from the settlement for costs of the Beaverbrook UK Foundation dispute which was settled during 2011 and which was reflected in the financial statements for the year ended December 31, 2010. The proceeds of the settlement have been segregated from other funds of the gallery and the interest earned on these funds are included in the settlement proceeds amount.

	<u>2013</u>	<u>2012</u>
Interest earned	\$ <u> -</u>	\$ <u> 10,455</u>
	\$ <u> -</u>	\$ <u> 10,455</u>

18. Financial instruments:

The Gallery's financial instruments consist of cash, accounts receivable or payable, short-term and long-term investments. Unless otherwise noted it is management's opinion that the Gallery is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments are approximately equal to their carrying values, unless otherwise noted.

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

19. Funds - investments and investment revenue:

Investments are presented at fair market value based on publicly available quotations.

	Lord Beaverbrook Fund		Unrestricted Endowment Fund		Restricted Senator Richard Hatfield Memorial Fund		2012 Endowment Fund		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Balanced pooled funds	\$ 1,846,121	\$ 2,183,505	\$ 2,344,211	\$ 2,210,137	\$ 3,980,354	\$ 3,488,318	\$ 1,434,622	\$ 1,940,778	\$ 9,605,308	\$ 8,922,738
Total investments and cash	\$ 1,846,121	\$ 2,183,505	\$ 2,344,211	\$ 2,210,137	\$ 3,980,354	\$ 3,488,318	\$ 1,434,622	\$ 1,940,778	\$ 9,605,308	\$ 8,922,738

	Lord Beaverbrook Fund		Unrestricted Endowment Fund		Senator Richard Hatfield Memorial Fund		2012 Endowment Fund		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Interest - net of accruals	\$ -	\$ -	\$ -	\$ 782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 782
Dividends	852	-	-	7,238	-	8,261	-	10,579	-	26,078
Gains	20,877	-	284,357	180,947	306,300	199,063	509,753	197,241	156,437	620,493
Total investment income	\$ 21,729	\$ -	\$ 284,357	\$ 188,967	\$ 306,300	\$ 207,324	\$ 509,753	\$ 207,820	\$ 156,437	\$ 647,353

Investment income was generated within the operating fund during the year but all operating fund investments have been liquidated as at December 31, 2013.

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

19. Funds - investments and investment revenue (continued):

The Gallery has established policies for the management of its investments. All of the Gallery's investments are managed by independent external investment managers. The compliance of these managers with the investment policies is monitored on a regular basis. The investment balances do not include investment cash balances which are shown separately in the individual funds within these financial statements.

The Gallery is exposed to market risk, credit risk and interest rate risk relating to its portfolio investments. These risks are managed by investing in balanced pooled funds which contain investments that have been diversified by type, industry and geographic region.