Shannon & Buffett, LLP

Chartered Accountants

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.

March 31, 2015

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, 2014 and the statement of operations and changes in fund balances and statement of 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, 2014, 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 Professional Accountants

Chartered Accountants

Shannon & Buffett, LLP

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2014

THE BEAVERBROOK ART GALLERY

On behalf of the Board:	Unrestricted Invested in capital assets Externally restricted (note 2)		Interfund payables Deferred contributions (note 7)	Current: Bank indebtedness (note 4) Demand loan (note 5) Payables and accruals Deferred revenue (note 6)			Interfund receivable Restricted funds (note 2) Capital assets (note 3) Paintings and works of art	Current: Cash and cash equivalents Investments Receivables Inventory Prepaid expenses
\$ 6,156,750	(2,293,638) 524,357 100,000		2,621,651 - 5,204,380 7,826,031	\$ 244,200 2,000,000 102,937 274,514		\$ 6,156,750	225,600 102,412 100,000 5,728,737	Operating Fund \$ 114,524 42,696 44,287 24,093
\$ 1.944,845	1,896,118		2,298 46,429 - - 48,727	2,298	LIABILITIES	\$ 1,944,845	1,944,845	Lord Beaverbrook Fund (Unrestricted) S 1,944,845
\$ 2,506,841	2,503,879	FUND	2,962 - - 2,962	2,962		\$ 2,506,841	2,506,841	Endowment Fund (Unrestricted) \$ 2,506,841
\$ 4,420,831	4,415,666 4,415,666	FUND BALANCES	5,165	5,165		\$ 4,420,831	4,370,996 49,835	ASSETS Senator Richard Hatfield Memorial Fund) (Restricted) \$ 4,370,996
\$ 1,854,253	1.852,085		2,168	2,168		\$ 1,854,253	1,834,834 19,419	Endowment 2012 (Restricted) \$ 1,834,834
\$ 5,091,710	(909,007) 284,600 - (624,407)		5,590,880 125,237 - - 5,716,117	\$ - 90,152 5,500,728		\$ 5,091,710	4,807,110 - - 284,600	Capital Campaign 5 4,800,132 6,978
\$ 21,975,230	1,197,352 808,957 <u>6,367,751</u> 8,374,060		8,225,124 171,666 5,204,380 13,601,170	\$ 244,200 2,000,000 205,682 5,775,242		\$ 21,975,230	15,690,226 171,666 100,000 6,013,337	Total 2014 \$ 4,914,656 10,657,516 49,674 44,287 24,093
\$ 16,858,670	1,093,966 776,660 5,577,026 7,447,652		3,720,015 226,867 5,464,136 9,411,018	\$ 2,000,000 317,519 		\$ 16,858,670	10,291,006 226,867 100,000 6,240,796	Total 2013 \$ 590,243 \$ 9,605,308 \$ 4,612 31,744 9,099

Director Director

Chartered Accountants

Shannon & Buffett, LLP

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

THE BEAVERBROOK ART GALLERY

FOR THE YEAR ENDED DECEMBER 31, 2014

Fund balances, end of year	Fund balances, beginning of year	Increase (decrease) in fund balances	Interfund transfers Contributions to endowments	Excess revenue (expenses)	Litigation	Excess revenue (expenses) before litigation		Amortization	Capital Campaign (note 12)	Salary and benefits	Marketing and promotion	Investment management fees	Programming and outreach	Exhibitions	Collections	Building maintenance (note 11)	Administration (note 10)		Deferred contributions	Grants and contributions (note 9)	Investment (note 16)	Fees, sales, donations and other revenue (note 8) \$	Revenues:				
\$(1,669,281)	(1.580,824)	(88,457)	376,616	(465,073)	(87,860)	(377,213)	2,213,104	287,657	,	998,308	70,437	ı	35,494	258,190	36,110	298,614	228,294	1,835,891	287.657	1,040,176	11,093) S 496,965		Operating			
\$ 1,896,118	1,796,802	99,316	(120,000)	219,316		219,316	8,415	TA TABLE TO THE TA	r	1	ī	8,415	,	ı	1	,	, ,	227,731		i	227,731	\$		Beaverbrook Endowment Fund Fund	Lord		
\$ 2,503,879	2,342,667	161,212	(120,665)	281,877	*	281,877	10,894	A A STATE OF THE PROPERTY OF T	1	ĭ	ı	10,894	3	£.			ì	292,771	***	ı	292,771	\$		Endowment Fund	Unrestricted		
\$ 4,415,666	4,024,253	391,413	(100,000)	491,413	1	491,413	19,029	***************************************	1	i	í	19,029	ì	Ē	ī	1	ī	510,442		1	510,442	⇔	***************************************	Memorial	Hatfield	Senator Richard	Restricted
\$ 1,852,085	1,452,773	399,312	(35,951) 247,425	187,838	3	187,838	7.389	*	ı	1	ĩ	7,389	ı	í	1	ì	i	195,227		ı	195,227	·	***************************************	Endowment 2012		÷	
\$ (624,407)	(588,019)	(36,388)	1 1	(36,388)	1	(36,388)	400,582	689	399,893	t	ī	í	ı	ī	ï	1	ı	364,194	1	t	1	\$ 364,194		Capital Campaign			
\$ 8,374,060	7,447,652	926,408	247,425	678,983	(87,860)	766,843	2,659,413	288,346	399,893	998,308	70,437	45,727	35,494	258,190	36,110	298,614	228,294	3,426,256	287,657	1,040,176	1,237,264	\$ 861,159	and the same of th	Total 2014			
\$ 7,447,652	6,778,733	668,919	258,361	410,558	(93,715)	504,273	2,495,223	292.023	342,641	967,869	87,036	41,401	30,120	173,745	210	253,703	306,475	2,999,496	291,162	709,095	1,278,576	\$ 720,663		Total 2013			