

THE BEAVERBROOK ART GALLERY

FINANCIAL STATEMENTS

DECEMBER 31, 2018

THE BEAVERBROOK ART GALLERY

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Shannon & Buffett, LLP

Chartered Professional Accountants

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

May 24, 2019

Independent Auditors' Report

To the members of:
Beaverbrook Art Gallery

Opinion

We have audited the financial statements of Beaverbrook Art Gallery, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of fund balances and 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, 2018, 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 Board or to cease operations, or has no realistic alternative but to do so.

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

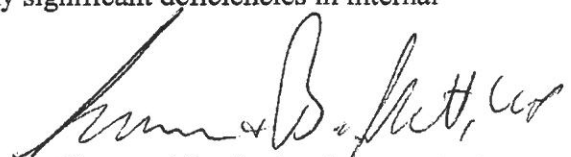
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Auditor's Responsibilities for the Audit of the Financial Statements

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 Board'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, 2018

ASSETS

	Operating Fund	Lord Beaverbrook Fund (Unrestricted)	Endowment Fund (Unrestricted)	Senator Richard Hatfield Memorial Fund (Restricted)	Endowment 2012 (Restricted)	Capital Campaign	Total 2018	Total 2017
Current:								
Cash and cash equivalents	\$ 121,445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,445	\$ -
Investments	-	1,897,615	21,786	3,701,709	6,902,990	-	12,524,100	17,492,846
Receivables	43,888	-	-	-	-	1,348	45,236	214,174
Inventory	60,780	-	-	-	-	-	60,780	49,818
Prepaid expenses	128,741	-	-	-	-	-	128,741	410
Interfund receivables	354,854	1,897,615	21,786	3,701,709	6,902,990	1,348	12,880,302	17,757,248
Restricted funds (note 2)	-	-	-	52,220	-	1,390,493	1,442,713	4,674,527
Capital assets (note 3)	17,351,065	-	-	-	-	-	100,000	100,000
Paintings and works of art	1	-	-	-	-	403	17,351,468	17,687,228
	<u>\$ 17,805,920</u>	<u>\$ 1,897,615</u>	<u>\$ 21,786</u>	<u>\$ 3,753,929</u>	<u>\$ 6,902,990</u>	<u>\$ 1,392,244</u>	<u>\$ 31,774,484</u>	<u>\$ 40,219,004</u>



LIABILITIES

Current:								
Cheques issued in excess of funds on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85	\$ 85	\$ 216,547
Bank indebtedness (note 4)	270,000	-	-	-	-	1,385,000	1,655,000	4,420,000
Demand loan (note 5)	249,826	-	-	-	-	-	249,826	425,000
Payables and accruals	103,204	2,249	1,586	4,680	8,181	-	119,900	693,126
Deferred revenue (note 6)	258,835	-	-	-	-	844,300	1,103,135	931,265
Interfund payables	881,865	2,249	1,586	4,680	8,181	2,229,385	3,127,946	6,685,938
Deferred contributions (note 7)	1,306,333	46,372	-	-	90,008	-	1,442,713	4,674,527
	<u>13,788,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,788,452</u>	<u>13,217,147</u>
	<u>15,976,650</u>	<u>48,621</u>	<u>1,586</u>	<u>4,680</u>	<u>98,189</u>	<u>2,229,385</u>	<u>18,359,111</u>	<u>24,577,612</u>

FUND BALANCES

Unrestricted	(1,833,343)	1,848,994	20,200	-	-	(837,544)	(801,693)	(1,643,951)
Invested in capital assets	3,562,613	-	-	-	-	403	3,563,016	4,470,081
Externally restricted (note 2)	100,000	-	-	3,749,249	6,804,801	-	10,654,050	12,815,262
	<u>1,829,270</u>	<u>1,848,994</u>	<u>20,200</u>	<u>3,749,249</u>	<u>6,804,801</u>	<u>(837,141)</u>	<u>13,415,373</u>	<u>15,641,392</u>
	<u>\$ 17,805,920</u>	<u>\$ 1,897,615</u>	<u>\$ 21,786</u>	<u>\$ 3,753,929</u>	<u>\$ 6,902,990</u>	<u>\$ 1,392,244</u>	<u>\$ 31,774,484</u>	<u>\$ 40,219,004</u>

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, 2018

	Restricted				Total			
	Operating Fund	Lord Beaverbrook Fund	Unrestricted Endowment Fund	Senator Richard Hatfield Memorial Fund	Endowment 2012	Capital Campaign	Total 2018	Total 2017
Revenues:								
Fees, sales, donations and other revenue (note 8)	\$ 487,471	\$ -	\$ -	\$ -	\$ -	\$ 97,644	\$ 585,115	\$ 663,666
Investment (note 18)	-	(122,486)	(77,469)	(263,354)	(430,597)	-	(893,906)	1,842,870
Grants and contributions (note 9)	1,007,490	-	-	-	-	-	1,007,490	1,391,436
Deferred contributions	<u>518,522</u>	-	-	-	-	-	<u>518,522</u>	<u>519,022</u>
	<u>2,013,483</u>	<u>(122,486)</u>	<u>(77,469)</u>	<u>(263,354)</u>	<u>(430,597)</u>	<u>97,644</u>	<u>1,217,221</u>	<u>4,416,994</u>
Expenses:								
Administration (note 10)	337,746	-	-	-	-	-	337,746	274,678
Building maintenance (note 11)	297,646	-	-	-	-	-	297,646	218,223
Collections	52,070	-	-	-	-	-	52,070	168,327
Exhibitions	242,057	-	-	-	-	-	242,057	472,873
Programming and outreach	105,088	-	-	-	-	-	105,088	107,955
Interest - construction financing (note 12)	163,195	-	-	-	-	-	163,195	-
Investment management fees	-	8,543	10,137	18,609	32,907	-	70,196	69,593
Marketing and promotion	50,711	-	-	-	-	-	50,711	130,152
Salary and benefits	1,461,204	-	-	-	-	-	1,461,204	1,548,523
Capital Campaign (note 13)	-	-	-	-	-	38,821	38,821	164,282
Amortization	<u>624,506</u>	-	-	-	-	-	<u>624,506</u>	<u>620,021</u>
	<u>3,334,223</u>	<u>8,543</u>	<u>10,137</u>	<u>18,609</u>	<u>32,907</u>	<u>38,821</u>	<u>3,443,240</u>	<u>3,774,627</u>
Excess revenue (expenses)	(1,320,740)	(131,029)	(87,606)	(281,963)	(463,504)	58,823	(2,226,019)	642,367
Interfund transfers - budgeted (note 14)	704,895	(85,187)	(105,207)	(188,275)	(326,226)	-	-	-
Interfund transfers - special (note 14)	3,296,744	-	(2,395,500)	(500,000)	(401,244)	-	-	-
Contributions to endowments	-	-	-	-	-	-	-	<u>1,200,000</u>
Increase (decrease) in fund balances	2,680,899	(216,216)	(2,588,313)	(970,238)	(1,190,974)	58,823	(2,226,019)	1,842,367
Fund balances, beginning of year	<u>(851,629)</u>	<u>2,065,210</u>	<u>2,608,513</u>	<u>4,719,487</u>	<u>7,995,775</u>	<u>(895,964)</u>	<u>15,641,392</u>	<u>13,799,025</u>
Fund balances, end of year	<u>\$ 1,829,270</u>	<u>\$ 1,848,994</u>	<u>\$ 20,200</u>	<u>\$ 3,749,249</u>	<u>\$ 6,804,801</u>	<u>\$ (837,141)</u>	<u>\$ 13,415,373</u>	<u>\$ 15,641,392</u>

THE BEAVERBROOK ART GALLERY
STATEMENT OF CASH FLOWS - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Cash generated from (used in):		
Operating activities:		
Excess (expenses over revenue) - operating fund	\$ (1,320,740)	\$ (1,127,029)
Amortization of capital assets	624,506	618,662
Amortization of deferred contributions	<u>(518,522)</u>	<u>(519,022)</u>
	(1,214,756)	(1,027,389)
Net change in non-cash working capital (note 15)	<u>(3,219,746)</u>	<u>4,545,637</u>
	<u>(4,434,502)</u>	<u>3,518,248</u>
Financing activities:		
Increase in bank indebtedness	20,000	-
Interfund transfers	4,001,639	604,852
Repayment of loans	(175,174)	(50,299)
Receipt (use) of deferred contributions	<u>1,089,827</u>	<u>7,628,078</u>
	<u>4,936,292</u>	<u>8,182,631</u>
Investing activities:		
Additions to capital assets	<u>(288,746)</u>	<u>(11,714,910)</u>
Increase (decrease) in cash position	213,044	(14,031)
Cash position, beginning of year	<u>(91,599)</u>	<u>(77,568)</u>
Cash position, end of year	\$ <u>121,445</u>	\$ <u>(91,599)</u>

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

Unrestricted Endowment Fund

The assets of 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.

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.

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, 2018

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. 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, 2018

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 2016 and 2017 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.
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Overhead	Overhead expenses are allocated based on estimated percentage of usage of the facilities involved.
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THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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>-----2018-----</u>			<u>-----2017-----</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building:				
Original building	\$ 1,185,493	\$ 1,083,621	\$ 101,872	\$ 131,509
East wing	3,298,550	3,001,095	297,455	379,919
North and south wall reconstruction	389,583	311,668	77,915	87,655
Marion McCain Atlantic Gallery	1,368,092	820,857	547,235	581,437
Building retrofit	1,278,551	659,976	618,575	650,539
Phase 1 improvements	3,787,404	852,346	2,935,058	3,029,743
Harriet Irving Gallery Pavilion	1,821,086	127,277	1,693,809	1,739,336
	<u>11,631,505</u>	<u>574,357</u>	<u>11,057,148</u>	<u>11,059,190</u>
	24,760,264	7,431,197	17,329,067	17,659,328
Equipment	<u>232,474</u>	<u>210,476</u>	<u>21,998</u>	<u>27,497</u>
	<u>\$ 24,992,738</u>	<u>\$ 7,641,673</u>	<u>\$ 17,351,065</u>	<u>\$ 17,686,825</u>

Capital assets - development fund:

	<u>-----2018-----</u>			<u>-----2017-----</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	<u>\$ 10,091</u>	<u>\$ 9,688</u>	<u>\$ 403</u>	<u>\$ 403</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

4. Bank indebtedness:

	<u>2018</u>	<u>2017</u>
Royal Bank of Canada revolving demand facility to a maximum of \$300,000, interest payable monthly at prime plus 0.25%.	\$ 270,000	\$ 250,000
Royal Bank of Canada revolving demand facility to a maximum of \$4,900,000 interest payable monthly at prime plus 0.25%.	<u>1,385,000</u>	<u>4,170,000</u>
	<u>\$ 1,655,000</u>	<u>\$ 4,420,000</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>2018</u>	<u>2017</u>
Province of New Brunswick, Regional Development Corporation, demand loan. The debt is secured by the assets of the Gallery and is non-interest bearing as long as scheduled payments are made. In the event of late payments or act of default, interest of 2.6% compounded semi-annually will be applied. The debt is repayable in monthly principal instalments of \$4,167 and matures in 2026.		
The original loan balance of \$2,000,000 has been reduced by \$1,500,000 subject to conditions, some of which have not yet been met.		
Should default occur, the entire balance of \$1,500,000 would become a liability of the Gallery.	<u>\$ 249,826</u>	<u>\$ 425,000</u>

Principal repayments expected within each of the five next years are as follows:

2019	\$	50,000
2020		50,000
2021		50,000
2022		50,000
2023		49,826

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

6. **Deferred revenue:**

	<u>Opening Balances</u>	<u>Funds Received</u>	<u>Revenue Recognized</u>	<u>Closing Balances 2018</u>
Nellie Alberta Peacock Taylor Fund	\$ 55,572	\$ -	\$ 10,000	\$ 45,572
Mary Hashey	29,924	400	5,500	24,824
Province of New Brunswick various exhibitions and projects	52,689	95,339	27,689	120,339
Toronto Dominion Bank - Capital Maintenance fund	18,950	-	4,000	14,950
Funds related to various exhibitions and publications	<u>32,093</u>	<u>30,150</u>	<u>9,092</u>	<u>53,151</u>
Total deferred operating fund revenue	<u>189,228</u>	<u>125,889</u>	<u>56,281</u>	<u>258,836</u>
Capital Campaign - funds deferred for:				
Infrastructure projects	20,000	1,089,827	1,089,827	20,000
Programs	547,399	139,500	105,175	581,724
Unrestricted	135,696	-	-	135,696
Endowment	<u>38,942</u>	<u>67,937</u>	<u>-</u>	<u>106,879</u>
Total deferred Capital Campaign revenue	<u>742,037</u>	<u>1,297,264</u>	<u>1,195,002</u>	<u>844,299</u>
	<u>\$ 931,265</u>	<u>\$ 1,423,153</u>	<u>\$ 1,251,283</u>	<u>\$ 1,103,135</u>

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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</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>348,687</u>	2017
		<u>\$ 21,118,563</u>	

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 13,217,147	\$ 6,108,091
Add: contributions allocated	1,089,827	7,628,078
Less: amortization (transfer to operating revenue)	<u>(518,522)</u>	<u>(519,022)</u>
Balance, end of year	<u>\$ 13,788,452</u>	<u>\$ 13,217,147</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

	<u>2018</u>	<u>2017</u>
General fund:		
Admissions	\$ 66,675	\$ 48,820
Advertising	1,575	13,770
Annual appeal	13,856	20,200
Catalogues and book sales	6,139	4,531
Donations	15,714	9,157
Education program	144,365	63,912
Exhibition rentals, crating and shipping	-	1,200
Fundraising and special events	24,725	193,615
Gift shop (net of cost of sales - \$23,934, 2017 - \$13,854)	39,236	28,252
Loan fees - Masterworks	10,000	-
Membership fees	56,739	44,716
Miscellaneous	173	133
Photography	2,025	10,836
Rentals	<u>106,249</u>	<u>62,767</u>
Total operating fund fees, sales, donations and other revenue	487,471	501,909
Capital Campaign:		
Portion of contributions retained for administration (7% of total contributions)	<u>97,644</u>	<u>161,757</u>
	<u>\$ 585,115</u>	<u>\$ 663,666</u>

9. Revenue - grants and contributions:

	<u>2018</u>	<u>2017</u>
C.E. Baker Trust	\$ 10,390	\$ 10,790
Canada Council	45,000	45,000
City of Fredericton	47,384	36,453
Federal grants	-	9,350
Program grants, donations and fundraising	135,562	544,202
Province of New Brunswick	744,154	720,641
The Tecolote Foundation	<u>25,000</u>	<u>25,000</u>
Total operating fund grants and contributions	1,007,490	1,391,436
Endowment 2012:		
Capital Campaign contributions	<u>-</u>	<u>1,200,000</u>
	<u>\$ 1,007,490</u>	<u>\$ 2,591,436</u>

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10. Expenses - administration:

	<u>2018</u>	<u>2017</u>
Information technology	\$ 32,219	\$ 13,886
Insurance	79,952	65,971
Interest and bank charges	8,683	9,063
Miscellaneous	414	4,386
Off-site storage	16,520	17,646
Office	20,159	28,947
Postage	4,889	16,052
Printing	6,277	17,032
Professional fees	43,103	42,826
Purchases - special events	-	7,569
Telephone	25,596	23,338
Travel and conferences	<u>99,934</u>	<u>27,962</u>
	<u>\$ 337,746</u>	<u>\$ 274,678</u>

11. Expenses - building maintenance and repairs:

	<u>2018</u>	<u>2017</u>
Building and equipment repairs	\$ 178,862	\$ 120,390
Electricity	111,004	89,919
Steam heat/water	<u>7,780</u>	<u>7,914</u>
	<u>\$ 297,646</u>	<u>\$ 218,223</u>

12. Interest - construction financing:

As described in note 1, significant accounting policies, as it pertains to capital assets, the Gallery's policy is to capitalize interest costs directly related to the construction of significant assets. During the 2016 and 2017 fiscal years interest costs were incurred in relation to the construction of the "Pavilion" and related projects, these interest costs were added to the capitalized cost of the related assets. As these projects were substantially complete and the assets available for use at the beginning of the 2018 fiscal year, interest costs incurred during the 2018 fiscal year are included in operating expenses.

13. Expenses - Capital Campaign:

	<u>2018</u>	<u>2017</u>
Consulting	\$ 10,403	\$ 80,949
Marketing and promotion	-	15,895
Miscellaneous	4,707	3,636
Rent	-	6,000
Salary and benefits	<u>23,711</u>	<u>57,802</u>
	<u>\$ 38,821</u>	<u>\$ 164,282</u>

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14. 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.

15. Net change in non-cash working capital:

	<u>2018</u>	<u>2017</u>
Decrease (increase) in accounts receivable	\$ 170,286	\$ 108,652
Decrease (increase) in inventory	(10,962)	(2,542)
Decrease (increase) in prepaid expenses	(128,331)	131,295
Increase (decrease) in interfund accounts	(3,231,813)	4,436,887
Increase (decrease) in accounts payable and accrued liabilities	(88,534)	23,971
Increase (decrease) in deferred revenue	<u>69,608</u>	<u>(152,626)</u>
	<u>\$ (3,219,746)</u>	<u>\$ 4,545,637</u>

16. 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 amount contributed in 2018 related to the pension plan was \$43,083 (2017 - \$40,224).

17. 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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17. 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.

Changes in risk -

There have been no significant changes in the Gallery's risk exposures from the prior year.

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18. **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 Endowment Fund</u>		<u>Senator Richard Hatfield Memorial Fund</u>		<u>2012 Endowment Fund</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Income distribution	\$ 128,791	\$ 209,801	\$ 1,478	\$ 259,174	\$ 251,236	\$ 463,726	\$ 468,508	\$ 803,389	\$ 850,013	\$ 1,736,090
Realized gains	8,628	12,680	153,700	16,554	37,775	20,397	17,708	23,034	217,811	72,665
Unrealized gains (losses)	<u>(259,905)</u>	<u>9,326</u>	<u>(232,647)</u>	<u>10,531</u>	<u>(552,365)</u>	<u>17,080</u>	<u>(916,813)</u>	<u>(2,822)</u>	<u>(1,961,730)</u>	<u>34,115</u>
Total investment income	<u>\$ (122,486)</u>	<u>\$ 231,807</u>	<u>\$ (77,469)</u>	<u>\$ 286,259</u>	<u>\$ (263,354)</u>	<u>\$ 501,203</u>	<u>\$ (430,597)</u>	<u>\$ 823,601</u>	<u>\$ (893,906)</u>	<u>\$ 1,842,870</u>