
THE BEAVERBROOK ART GALLERY

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 LEGER, CPA, CA RON W. SAUNTRY, CPA, CA

March 29, 2016

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, 2015 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

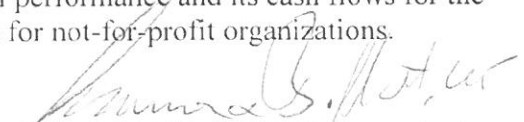
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2015, 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

THE BEAVERBROOK ART GALLERY

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2015

	<u>ASSETS</u>							
	<u>Operating Fund</u>	<u>Lord Beaverbrook Fund (Unrestricted)</u>	<u>Endowment Fund (Unrestricted)</u>	<u>Senator Richard Hatfield Memorial Fund (Restricted)</u>	<u>Endowment 2012 (Restricted)</u>	<u>Capital Campaign</u>	<u>Total 2015</u>	<u>Total 2014</u>
Current:								
Cash and cash equivalents	\$ -	\$ 1,887,090	\$ -	\$ 4,295,674	\$ 4,583,416	\$ 2,364,676	\$ 2,364,676	\$ 4,914,656
Investments	-	-	-	-	-	-	13,097,370	10,657,516
Receivables	185,682	-	-	-	-	66	185,748	49,674
Inventory	53,702	-	-	-	-	-	53,702	44,287
Prepaid expenses	32,076	-	-	-	-	-	32,076	24,093
	<u>271,460</u>	<u>1,887,090</u>	<u>2,331,190</u>	<u>4,295,674</u>	<u>4,583,416</u>	<u>2,364,742</u>	<u>15,733,572</u>	<u>15,690,226</u>
Interfund receivable	180,072	-	-	51,009	-	-	231,081	171,666
Restricted funds (note 2)	100,000	-	-	-	-	-	100,000	100,000
Capital assets (note 3)	5,448,487	-	-	-	-	2,953,379	8,401,866	6,013,337
Paintings and works of art	1	-	-	-	-	-	1	1
	<u>\$ 6,000,020</u>	<u>\$ 1,887,090</u>	<u>\$ 2,331,190</u>	<u>\$ 4,346,683</u>	<u>\$ 4,583,416</u>	<u>\$ 5,318,121</u>	<u>\$ 24,466,520</u>	<u>\$ 21,975,230</u>

LIABILITIES

Current:								
Cheques issued in excess of funds on deposit	\$ 99,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,759	\$ -
Bank indebtedness (note 4)	244,200	-	-	-	-	-	244,200	244,200
Demand loan (note 5)	2,000,000	-	-	-	-	-	2,000,000	2,000,000
Payables and accruals	178,672	2,176	2,688	4,952	5,284	950,812	1,144,584	205,682
Deferred revenue (note 6)	170,426	-	-	-	-	5,132,615	5,303,041	5,775,242
	<u>2,693,057</u>	<u>2,176</u>	<u>2,688</u>	<u>4,952</u>	<u>5,284</u>	<u>6,083,427</u>	<u>8,791,584</u>	<u>8,225,124</u>
Interfund payables	-	45,914	-	-	91,192	93,975	231,081	171,666
Deferred contributions (note 7)	4,982,533	-	-	-	-	-	4,982,533	5,204,380
	<u>7,675,590</u>	<u>48,090</u>	<u>2,688</u>	<u>4,952</u>	<u>96,476</u>	<u>6,177,402</u>	<u>14,005,198</u>	<u>13,601,170</u>

FUND BALANCES

Unrestricted	(2,241,524)	1,839,000	2,328,502	-	-	(3,812,660)	(1,886,682)	1,197,352
Invested in capital assets	465,954	-	-	-	-	2,953,379	3,419,333	808,957
Externally restricted (note 2)	100,000	-	-	4,341,731	4,486,940	-	8,928,671	6,367,751
	<u>(1,675,570)</u>	<u>1,839,000</u>	<u>2,328,502</u>	<u>4,341,731</u>	<u>4,486,940</u>	<u>(859,281)</u>	<u>10,461,322</u>	<u>8,374,060</u>
	<u>\$ 6,000,020</u>	<u>\$ 1,887,090</u>	<u>\$ 2,331,190</u>	<u>\$ 4,346,683</u>	<u>\$ 4,583,416</u>	<u>\$ 5,318,121</u>	<u>\$ 24,466,520</u>	<u>\$ 21,975,230</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, 2015

	Operating Fund	Lord Beaverbrook Fund	Unrestricted Endowment Fund	Restricted Senator Richard Hatfield Memorial Fund	Endowment 2012	Capital Campaign	Total 2015	Total 2014
Revenues:								
Fees, sales, donations and other revenue (note 8)	\$ 383,737	\$ -	\$ -	\$ -	\$ -	\$ 213,579	\$ 597,316	\$ 861,159
Investment (note 16)	19,771	29,314	38,829	65,296	(29,437)	-	123,773	1,237,264
Grants and contributions (note 9)	1,404,366	-	-	-	-	-	1,404,366	1,040,176
Deferred contributions	<u>291,597</u>	-	-	-	-	-	<u>291,597</u>	<u>287,657</u>
	<u>2,099,471</u>	<u>29,314</u>	<u>38,829</u>	<u>65,296</u>	<u>(29,437)</u>	<u>213,579</u>	<u>2,417,052</u>	<u>3,426,256</u>
Expenses:								
Administration (note 10)	228,736	-	-	-	-	-	228,736	228,294
Building maintenance (note 11)	540,160	-	-	-	-	-	540,160	298,614
Collections	119,925	-	-	-	-	-	119,925	36,110
Exhibitions	328,185	-	-	-	-	-	328,185	258,190
Programming and outreach	49,279	-	-	-	-	-	49,279	35,494
Investment management fees	-	8,432	10,794	19,231	16,467	-	54,924	45,733
Marketing and promotion	29,328	-	-	-	-	-	29,328	70,437
Salary and benefits	1,169,495	-	-	-	-	-	1,169,495	998,307
Capital Campaign (note 12)	-	-	-	-	-	447,902	447,902	399,892
Amortization	<u>286,664</u>	-	-	-	-	<u>551</u>	<u>287,215</u>	<u>288,346</u>
	<u>2,751,772</u>	<u>8,432</u>	<u>10,794</u>	<u>19,231</u>	<u>16,467</u>	<u>448,453</u>	<u>3,255,149</u>	<u>2,659,417</u>
Excess revenue (expenses) before litigation	(652,301)	20,882	28,035	46,065	(45,904)	(234,874)	(838,097)	766,839
Litigation	-	-	-	-	-	-	-	<u>(87,860)</u>
Excess revenue (expenses)	(652,301)	20,882	28,035	46,065	(45,904)	(234,874)	(838,097)	678,979
Interfund transfers	646,012	(78,000)	(203,412)	(120,000)	(244,600)	-	2,925,359	-
Contributions to endowments	-	-	-	-	2,925,359	-	-	<u>247,425</u>
Increase (decrease) in fund balances	(6,289)	(57,118)	(175,377)	(73,935)	2,634,855	(234,874)	2,087,262	926,404
Fund balances, beginning of year	<u>(1,669,281)</u>	<u>1,896,118</u>	<u>2,503,879</u>	<u>4,415,666</u>	<u>1,852,085</u>	<u>(624,407)</u>	<u>8,374,060</u>	<u>7,447,656</u>
Fund balances, end of year	<u>\$(1,675,570)</u>	<u>\$ 1,839,000</u>	<u>\$ 2,328,502</u>	<u>\$ 4,341,731</u>	<u>\$ 4,486,940</u>	<u>\$ (859,281)</u>	<u>\$ 10,461,322</u>	<u>\$ 8,374,060</u>

THE BEAVERBROOK ART GALLERY
STATEMENT OF CASH FLOWS - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Cash generated from (used in):		
Operating activities:		
Excess (expenses over revenue) - operating fund	\$ (652,301)	\$ (465,075)
Amortization of capital assets	286,664	287,657
Amortization of deferred contributions	<u>(291,597)</u>	<u>(287,657)</u>
	(657,234)	(465,075)
Net change in non-cash working capital (note 13)	<u>(266,397)</u>	<u>(156,197)</u>
	<u>(923,631)</u>	<u>(621,272)</u>
Financing activities:		
Increase in bank indebtedness	-	244,200
Interfund transfers	646,012	376,616
Receipt of deferred contributions	<u>69,750</u>	<u>27,902</u>
	<u>715,762</u>	<u>648,718</u>
Investing activities:		
Additions to capital assets	<u>(6,414)</u>	<u>-</u>
Increase in cash position	(214,283)	27,446
Cash position, beginning of year	<u>114,524</u>	<u>87,078</u>
Cash position, end of year	<u><u>\$ (99,759)</u></u>	<u><u>\$ 114,524</u></u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 Chartered Professional Accountants of Canada (CPA Canada) 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

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, 2015

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.

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

(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, 2015

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>-----2015-----</u>			<u>-----2014-----</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building:				
Original building	\$ 1,185,493	\$ 994,709	\$ 190,784	\$ 220,421
East wing	3,298,550	2,753,704	544,846	627,310
North and south wall reconstruction	389,583	282,449	107,134	116,874
Marion McCain Atlantic Gallery	1,368,092	718,250	649,842	684,044
Building retrofit	1,278,551	564,085	714,466	746,430
Phase 1 renovations	<u>3,787,404</u>	<u>568,291</u>	<u>3,219,113</u>	<u>3,313,798</u>
	11,307,673	5,881,488	5,426,185	5,708,877
Equipment	<u>215,944</u>	<u>193,642</u>	<u>22,302</u>	<u>19,860</u>
	<u>\$ 11,523,617</u>	<u>\$ 6,075,130</u>	<u>\$ 5,448,487</u>	<u>\$ 5,728,737</u>

Capital assets - development fund:

	<u>-----2015-----</u>			<u>-----2014-----</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Projects in progress	\$ 2,951,177	\$ -	\$ 2,951,177	\$ 281,847
Equipment	<u>10,091</u>	<u>7,889</u>	<u>2,202</u>	<u>2,753</u>
	<u>\$ 2,961,268</u>	<u>\$ 7,889</u>	<u>\$ 2,953,379</u>	<u>\$ 284,600</u>

4. Bank indebtedness:

Bank of Nova Scotia term note to a maximum of \$300,000, interest payable monthly at prime plus 0.25% secured by a General Security Agreement. The Gallery has agreed that the portfolio value of the Endowment Fund will not fall below \$600,000.

	<u>2015</u>	<u>2014</u>
	<u>\$ 244,200</u>	<u>\$ 244,200</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

5. Demand loan:

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. The terms of this loan call for full repayment by December 31, 2013, as a result the loan is currently in default. The province of New Brunswick has not pursued collection of this loan and negotiations are on-going to settle this issue.

	<u>2015</u>	<u>2014</u>
	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>

6. Deferred revenue:

	<u>Opening Balances</u>	<u>Funds Received</u>	<u>Revenue Recognized</u>	<u>Closing Balances 2015</u>
Nellie Alberta Peacock Taylor Fund	\$ 55,572	\$ -	\$ -	\$ 55,572
Sabat Memorial	2,129	-	2,129	-
Mary Hashey	29,924	-	-	29,924
McCain Family	60,000	-	60,000	-
Toronto Dominion Bank - Capital Maintenance fund	55,800	27,900	55,800	27,900
Funds related to various exhibitions and Publications	<u>71,089</u>	<u>29,286</u>	<u>43,345</u>	<u>57,030</u>
Total deferred operating fund revenue	<u>274,514</u>	<u>57,186</u>	<u>161,274</u>	<u>170,426</u>
Capital Campaign - funds deferred for:				
Infrastructure projects	1,751,766	2,490,367	-	4,242,133
Programs	554,500	182,512	280,302	456,710
Unrestricted	286,226	14,414	-	300,640
Endowment	<u>2,908,236</u>	<u>150,719</u>	<u>2,925,823</u>	<u>133,132</u>
Total deferred Capital Campaign revenue	<u>5,500,728</u>	<u>2,838,012</u>	<u>3,206,125</u>	<u>5,132,615</u>
	<u>\$ 5,775,242</u>	<u>\$ 2,895,198</u>	<u>\$ 3,367,399</u>	<u>\$ 5,303,041</u>

THE BEAVERBROOK ART GALLERY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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
Retrofit	Endowment Fund	<u>1,255,000</u>	1998
Various Building Fund	Various	<u>103,861</u>	2001 to 2008
	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>153,450</u>	2013 to 2015
Total Phase I Revitalization		<u>3,525,898</u>	
		<u>\$ 10,971,725</u>	

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 5,204,380	\$ 5,464,136
Add: contributions received	69,750	27,901
Less: amortization (transfer to operating revenue)	<u>(291,597)</u>	<u>(287,657)</u>
Balance, end of year	<u>\$ 4,982,533</u>	<u>\$ 5,204,380</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

	<u>2015</u>	<u>2014</u>
General fund:		
Admissions	\$ 39,943	\$ 35,972
Annual appeal	25,720	25,563
Catalogues and book sales	20,069	16,779
Education programme	71,051	86,281
Exhibition rentals, crating and shipping	-	7,974
Fundraising and special events	33,016	77,017
Gift shop (net of cost of sales - \$19,130, 2014 - \$8,240)	24,752	22,710
Loan fees	58,000	142,636
Memberships and donations	92,596	63,941
Miscellaneous	2,729	6,178
Photography	4,585	1,956
Rentals	<u>11,276</u>	<u>9,958</u>
Total operating fund fees, sales, donations and other revenue	383,737	496,965
Capital Campaign:		
Portion of contributions retained for administration (7% of total contributions)	<u>213,579</u>	<u>364,194</u>
	<u>\$ 597,316</u>	<u>\$ 861,159</u>

9. Revenue - grants and contributions:

	<u>2015</u>	<u>2014</u>
C.E. Baker Trust	\$ 9,077	\$ 10,162
Canada Council	45,000	45,000
City of Fredericton	36,453	36,453
Federal grants	-	23,000
Program grants, donations and fundraising	501,795	283,059
Province of New Brunswick	787,041	617,502
The Tecolote Foundation	<u>25,000</u>	<u>25,000</u>
Total operating fund grants and contributions	1,404,366	1,040,176
Endowment 2012:		
Capital Campaign contributions	<u>2,925,359</u>	<u>247,425</u>
	<u>\$ 4,329,725</u>	<u>\$ 1,287,601</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

10. Expenses - administration:

	<u>2015</u>	<u>2014</u>
Information technology	\$ 13,327	\$ 39,736
Insurance	59,075	62,976
Interest and bank charges	15,331	13,789
Miscellaneous	3,544	2,144
Off-site storage	15,569	7,939
Office	25,251	21,384
Postage	15,517	11,413
Printing	6,840	10,982
Professional fees	22,635	19,250
Purchases - special events	4,024	4,500
Telephone	31,304	28,953
Travel and conferences	<u>16,319</u>	<u>5,228</u>
	<u>\$ 228,736</u>	<u>\$ 228,294</u>

11. Expenses - building maintenance and repairs:

	<u>2015</u>	<u>2014</u>
Building and equipment repairs	\$ 420,978	\$ 168,426
Electricity	103,337	109,812
Steam heat/water	<u>15,845</u>	<u>20,376</u>
	<u>\$ 540,160</u>	<u>\$ 298,614</u>

12. Expenses - Capital Campaign:

	<u>2015</u>	<u>2014</u>
Consulting	\$ 134,719	\$ 187,191
Marketing and promotion	86,577	12,351
Miscellaneous	5,303	8,673
Office supplies and postage	7,399	2,115
Professional fees	9,933	3,074
Rent	30,000	30,000
Telephone	4,717	4,202
Travel	344	13,023
Salary and benefits	<u>168,910</u>	<u>139,263</u>
	<u>\$ 447,902</u>	<u>\$ 399,892</u>

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13. Net change in non-cash working capital:

	<u>2015</u>	<u>2014</u>
Decrease (increase) in accounts receivable	\$ (142,986)	\$ 4,108
Decrease (increase) in inventory	(9,415)	(12,543)
Decrease (increase) in prepaid expenses	(7,983)	(14,994)
Decrease (increase) in interfund accounts	(77,660)	56,365
Increase (decrease) in accounts payable and accrued liabilities	75,735	(183,482)
Increase (decrease) in deferred revenue	<u>(104,088)</u>	<u>(5,651)</u>
	<u>\$ (266,397)</u>	<u>\$ (156,197)</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 2015 related to the pension plan was \$30,690 (2014 - \$31,441).

15. 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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15. 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.

16. Investment income:

All investments are held in balanced pooled funds and are presented at fair market value based on publicly available quotations. As a result a large proportion of the amounts reported as investment income are unrealized gains.