

**THE BEAVERBROOK ART GALLERY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**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 17, 2022

### 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, 2021, 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, 2021, 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 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 OPERATIONS AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Operating Fund	Lord Beaverbrook Fund (Unrestricted)	Acquisition Fund (Unrestricted)	Senator Richard Hatfield Memorial Fund (Restricted)	2012 Endowment Fund (Restricted)	Total 2021	Total 2020
<b>Revenues:</b>							
Fees, sales, donations and other (note 9)	\$ 93,574	\$ -	\$ -	\$ -	\$ -	\$ 93,574	\$ 98,880
Investment (note 17)	-	6,449	24,688	803,507	1,188,958	2,023,602	1,104,461
Deaccession from the collection	95,037	-	-	-	-	95,037	94,447
Grants and contributions (note 10)	1,370,801	-	-	-	-	1,370,801	1,660,353
Contributions deferred for capital assets (note 8)	517,092	-	-	-	-	517,092	517,590
	<u>2,076,504</u>	<u>6,449</u>	<u>24,688</u>	<u>803,507</u>	<u>1,188,958</u>	<u>4,100,106</u>	<u>3,475,731</u>
<b>Expenses:</b>							
Administration (note 11)	254,092	-	-	-	-	254,092	285,007
Building maintenance (note 12)	316,970	-	-	-	-	316,970	296,143
Collections	238,465	-	-	-	-	238,465	37,619
Exhibitions	20,983	-	-	-	-	20,983	242,691
Programming and outreach	57,912	-	-	-	-	57,912	41,955
Interest - construction financing	32,441	-	-	-	-	32,441	13,253
Investment management fees	-	2,523	663	21,018	32,991	57,195	46,911
Marketing and promotion	13,096	-	-	-	-	13,096	18,359
Salary and benefits	1,217,634	-	-	-	-	1,217,634	1,209,031
Amortization	630,435	-	-	-	-	630,435	628,059
	<u>2,782,028</u>	<u>2,523</u>	<u>663</u>	<u>21,018</u>	<u>32,991</u>	<u>2,839,223</u>	<u>2,819,028</u>
<b>Excess revenue (expenses)</b>	(705,524)	3,926	24,025	782,489	1,155,967	1,260,883	656,703
Interfund transfers - (note 13)	<u>1,010,323</u>	<u>(176)</u>	<u>(6,472)</u>	<u>(1,466)</u>	<u>(1,002,209)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in fund balances	304,799	3,750	17,553	781,023	153,758	1,260,883	656,703
Fund balances, beginning 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>
<b>Fund balances, end of year</b>	<u>\$ 1,515,809</u>	<u>\$ 1,631,703</u>	<u>\$ 151,671</u>	<u>\$ 5,081,966</u>	<u>\$ 7,872,566</u>	<u>\$ 16,253,715</u>	<u>\$ 14,992,832</u>

**Shannon & Buffett, LLP**

Chartered Professional Accountants

**THE BEAVERBROOK ART GALLERY**  
**STATEMENT OF CASH FLOWS - OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Cash generated from (used in):</b>		
<b>Operating activities:</b>		
Excess revenue (expenses) - operating fund	\$ (705,524)	\$ (400,847)
Amortization of capital assets	630,435	628,059
Amortization of contributions deferred for capital assets	<u>(517,092)</u>	<u>(517,590)</u>
	(592,181)	(290,378)
Net change in non-cash working capital (note 14)	<u>6,942,762</u>	<u>3,035,481</u>
	<u>6,350,581</u>	<u>2,745,103</u>
<b>Financing activities:</b>		
Increase in (repayments of) bank indebtedness	296,532	(960,163)
Interfund transfers	1,010,323	(127,407)
Repayment of demand loan	<u>-</u>	<u>(199,826)</u>
	<u>1,306,855</u>	<u>(1,287,396)</u>
<b>Investing activities:</b>		
Additions to capital assets	<u>(6,863,236)</u>	<u>(2,086,271)</u>
<b>Increase (decrease) in cash position</b>	794,200	(628,564)
<b>Cash position, beginning of year</b>	<u>434,084</u>	<u>1,062,648</u>
<b>Cash position, end of year</b>	<u>\$ 1,228,284</u>	<u>\$ 434,084</u>

# THE BEAVERBROOK ART GALLERY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

### **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. Net proceeds from sales of items from the collection are added to this fund. 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 2012 Endowment Fund**

The assets of the 2012 Endowment Fund 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, 2021

**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 and proceeds from disposal of any items in the collection are included in revenue in the period in which they are incurred or sold. Proceeds from disposals are held in the acquisition fund for the purpose of funding future acquisitions for the collection.

**(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, 2021**

**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 2020 and 2021 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, 2021**

**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:**

	-----2021-----			-----2020-----
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building:				
Original building	\$ 1,395,284	\$ 1,188,268	\$ 207,016	\$ 241,898
East wing	3,298,550	3,248,486	50,064	132,527
North and south wall reconstruction	389,583	340,887	48,696	58,436
Marion McCain Atlantic Gallery	1,368,092	923,463	444,629	478,831
Building retrofit	1,278,551	755,868	522,683	554,647
Phase 1 improvements	3,787,404	1,136,402	2,651,002	2,745,688
Harriet Irving Gallery	1,821,086	263,859	1,557,227	1,602,754
Pavilion	<u>11,643,006</u>	<u>1,447,582</u>	<u>10,195,424</u>	<u>10,486,499</u>
	24,981,556	9,304,815	15,676,741	16,301,280
Projects in progress	<u>9,189,656</u>	<u>-</u>	<u>9,189,656</u>	<u>2,341,823</u>
Equipment	<u>257,968</u>	<u>234,061</u>	<u>23,907</u>	<u>14,400</u>
	<u>\$ 34,429,180</u>	<u>\$ 9,538,876</u>	<u>\$ 24,890,304</u>	<u>\$ 18,657,503</u>

**4. Collection, Paintings and other works of art:**

The Gallery holds an extensive collection of historical and contemporary artwork with a particular focus on British, Canadian and Indigenous works. During the year disposals of items included in the collection resulted in proceeds of \$95,037 (2020 - \$94,447), all amounts received have either been expended on acquisitions for addition to the collection or are held in the internally restricted acquisition fund for the purposes of funding future acquisitions.

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**5. Bank indebtedness:**

	<u>2021</u>	<u>2020</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
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%. Secured as described in note 6.	85,000	140,000
Term loan at 1.80%, repayable in 180 blended monthly instalments of \$6,977. Matures, February 2022. Secured as described in note 6.	<u>1,046,369</u>	<u>-</u>
	<u>\$ 1,131,369</u>	<u>\$ 834,837</u>

**6. Security for bank debts:**

The debts described in note 5 are secured by a General Security Agreement, a collateral mortgage in the amount of \$5,000,000 over Gallery property and assignment of the proceeds of all pledges made towards the construction of the Gallery expansion.

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**7. Deferred revenue:**

	<b><u>Opening Balances</u></b>	<b><u>Funds Received</u></b>	<b><u>Revenue Recognized</u></b>	<b><u>Closing Balances 2021</u></b>
Nellie Alberta Peacock Taylor Fund	\$ 45,572	\$ -	\$ -	\$ 45,572
Mary Hashey	25,224	-	-	25,224
Canada Council for the Arts	-	75,102	5,602	69,500
Toronto Dominion Bank - Capital maintenance fund	40,000	-	-	40,000
Funds related to various exhibitions and publications	<u>72,823</u>	<u>176,205</u>	<u>19,605</u>	<u>229,423</u>
Total deferred operating fund revenue	<u>183,619</u>	<u>251,307</u>	<u>25,207</u>	<u>409,719</u>
Capital Campaign - funds deferred for:				
Infrastructure projects	2,810,000	5,588,566	-	8,398,566
Programs	461,943	-	30,000	431,943
Endowment	<u>133,390</u>	<u>-</u>	<u>-</u>	<u>133,390</u>
Total deferred Capital Campaign	<u>3,405,333</u>	<u>5,588,566</u>	<u>30,000</u>	<u>8,963,899</u>
	<u>\$3,588,952</u>	<u>\$5,839,873</u>	<u>\$ 55,207</u>	<u>\$9,373,618</u>

Capital Campaign funds deferred for infrastructure projects will be moved to Contributions deferred for capital assets (note 8) in the period in which the related assets become available for use and these contribution amounts will then be amortized to revenue at the same rate as the related asset is amortized to operating expense.

Capital Campaign funds deferred for endowments are brought into revenue in the period in which the transfers into the endowment fund are made.

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**8. Contributions deferred for capital assets:**

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

<b><u>Assets</u></b>	<b><u>Value in</u> <u>Year of Acquisition</u></b>	<b><u>Year</u> <u>Acquired</u></b>
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.

	<b><u>2021</u></b>	<b><u>2020</u></b>
Balance, beginning of year	\$ 13,311,210	\$ 13,828,800
Less: amortization (transfer to operating revenue)	<u>(517,092)</u>	<u>(517,590)</u>
Balance, end of year	<u>\$ 12,794,118</u>	<u>\$ 13,311,210</u>

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**9. Revenue - fees, sales, donations and other revenue:**

	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>General fund:</b>		
Admissions	\$ -	\$ 11,561
Annual appeal	5,350	1,550
Catalogues and book sales	-	169
Donations	17,140	1,860
Education program	58,538	20,881
Exhibition rentals, crating and shipping	-	10,750
Fundraising and special events	-	322
Gift shop (net of cost of sales \$- Nil, 2020 - \$7,777)	2,610	5,178
Membership fees	1,780	7,405
Miscellaneous	8,156	21,020
Rentals	-	18,184
	<u>\$ 93,574</u>	<u>\$ 98,880</u>

**10. Revenue - grants and contributions:**

	<b><u>2021</u></b>	<b><u>2020</u></b>
C.E. Baker Trust	\$ 8,325	\$ 6,845
Canada Council	210,603	122,000
City of Fredericton	29,500	27,500
Federal grants	242,345	547,741
Program grants, donations and fundraising	135,078	237,259
Province of New Brunswick	719,950	694,008
The Tecolote Foundation	25,000	25,000
	<u>\$ 1,370,801</u>	<u>\$ 1,660,353</u>

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**11. Expenses - administration:**

	<b><u>2021</u></b>	<b><u>2020</u></b>
Information technology	\$ 73,599	\$ 64,789
Insurance	77,350	87,963
Interest and bank charges	9,040	9,074
Inventory adjustments - Gift Shop	-	40,863
Off-site storage	2,165	5,406
Office	3,349	4,637
Postage	442	6,948
Printing	3,075	786
Professional fees	54,587	33,498
Telephone	12,655	20,461
Travel and conferences	<u>17,830</u>	<u>10,582</u>
	<u>\$ 254,092</u>	<u>\$ 285,007</u>

**12. Expenses - building maintenance and repairs:**

	<b><u>2021</u></b>	<b><u>2020</u></b>
Building and equipment repairs	\$ 199,728	\$ 177,262
Electricity	115,984	107,474
Steam heat/water	<u>1,258</u>	<u>11,407</u>
	<u>\$ 316,970</u>	<u>\$ 296,143</u>

**13. Transfers between funds:**

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



**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**14. Net change in non-cash working capital:**

	<b><u>2021</u></b>	<b><u>2020</u></b>
Decrease (increase) in accounts receivable	\$ 155,868	\$ (156,123)
Decrease (increase) in inventory	-	45,629
Decrease (increase) in prepaid expenses	(84,097)	58,939
Increase (decrease) in interfund accounts	(7,103)	-
Increase (decrease) in accounts payable and accrued liabilities	1,093,428	288,214
Increase (decrease) in deferred revenue	<u>5,784,666</u>	<u>2,798,822</u>
	<u>\$ 6,942,762</u>	<u>\$ 3,035,481</u>

**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.

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**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. As described in note 16, volatility in the financial markets continues to be present during and subsequent to the year-end due to the Covid-19 pandemic and other international events. The effect of this increased volatility on the financial instruments of the Gallery is currently unknown, but may be material.

**16. 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. As at the audit date the state of emergency has been lifted, but some uncertainty remains. Known potential impacts on the Gallery include disruptions and/or restrictions on employees' ability to work, closing the Gallery or restricting access 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.

**THE BEAVERBROOK ART GALLERY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**17. Investment income:**

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

	<u>Lord Beaverbrook Fund (Unrestricted)</u>		<u>Acquisition Fund (Unrestricted)</u>		<u>Senator Richard Hatfield Memorial Fund (Restricted)</u>		<u>2021 Endowment Fund (Restricted)</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income distribution	\$ 6,449	\$ -	\$ 20,446	\$ 4,451	\$ 645,188	\$ 118,172	\$ 851,741	\$ 196,671	\$ 1,523,824	\$ 319,294
Realized gains	-	69,280	2,729	3,367	163,685	266,060	283,280	9,496	449,694	348,203
Unrealized gains (losses)	-	(79,244)	1,513	686	(5,366)	61,624	53,937	453,898	50,084	436,964
Total investment income	<u>\$ 6,449</u>	<u>\$ (9,964)</u>	<u>\$ 24,688</u>	<u>\$ 8,504</u>	<u>\$ 803,507</u>	<u>\$ 445,856</u>	<u>\$ 1,188,958</u>	<u>\$ 660,065</u>	<u>\$ 2,023,602</u>	<u>\$ 1,104,461</u>