

THE BEAVERBROOK ART GALLERY

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

May 8, 2020

### 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, 2019, 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, 2019, 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 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 FINANCIAL POSITION - DECEMBER 31, 2019**

<b>ASSETS</b>							
	<b>Operating Fund</b>	<b>Lord Beaverbrook Fund (Unrestricted)</b>	<b>Endowment Fund (Unrestricted)</b>	<b>Senator Richard Hatfield Memorial Fund (Restricted)</b>	<b>Endowment 2012 (Restricted)</b>	<b>Total 2019</b>	<b>Total 2018</b>
<b>Current:</b>							
Cash and cash equivalents	\$ 1,062,648	\$ -	\$ -	\$ -	\$ -	\$ 1,062,648	\$ 121,360
Investments	-	1,686,838	429	3,825,251	7,184,039	12,696,557	12,524,100
Receivables	103,251	-	-	-	-	103,251	45,236
Inventory	55,527	-	-	-	-	55,527	60,780
Prepaid expenses	<u>59,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,734</u>	<u>128,741</u>
	1,281,160	1,686,838	429	3,825,251	7,184,039	13,977,717	12,880,217
Interfund receivables	84,160	-	-	52,220	-	136,380	1,442,713
Restricted funds (note 2)	100,000	-	-	-	-	100,000	100,000
Capital assets (note 3)	17,199,291	-	-	-	-	17,199,291	17,351,468
Paintings and works of art	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ 18,664,612</u>	<u>\$ 1,686,838</u>	<u>\$ 429</u>	<u>\$ 3,872,471</u>	<u>\$ 7,184,039</u>	<u>\$ 31,413,389</u>	<u>\$ 31,774,399</u>
<b>LIABILITIES</b>							
<b>Current:</b>							
Bank indebtedness (note 4)	\$ 1,795,000	\$ -	\$ -	\$ -	\$ -	\$ 1,795,000	\$ 1,655,000
Demand loan (note 5)	199,826	-	-	-	-	199,826	249,826
Payables and accruals	311,592	2,243	9	4,579	8,701	327,124	119,900
Deferred revenue (note 6)	<u>790,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>790,130</u>	<u>1,103,135</u>
	3,096,548	2,243	9	4,579	8,701	3,112,080	3,127,861
Interfund payables	-	46,372	-	-	90,008	136,380	1,442,713
Deferred contributions (note 7)	<u>13,828,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,828,800</u>	<u>13,788,452</u>
	<u>16,925,348</u>	<u>48,615</u>	<u>9</u>	<u>4,579</u>	<u>98,709</u>	<u>17,077,260</u>	<u>18,359,026</u>
<b>FUND BALANCES</b>							
Unrestricted	(1,731,227)	1,638,223	420	-	-	(92,584)	(801,693)
Invested in capital assets	3,370,491	-	-	-	-	3,370,491	3,563,016
Externally restricted (note 2)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>3,872,892</u>	<u>7,085,330</u>	<u>11,058,222</u>	<u>10,654,050</u>
	<u>1,739,264</u>	<u>1,638,223</u>	<u>420</u>	<u>3,872,892</u>	<u>7,085,330</u>	<u>14,336,129</u>	<u>13,415,373</u>
	<u>\$ 18,664,612</u>	<u>\$ 1,686,838</u>	<u>\$ 429</u>	<u>\$ 3,872,471</u>	<u>\$ 7,184,039</u>	<u>\$ 31,413,389</u>	<u>\$ 31,774,399</u>

On behalf of the Board:



Director

Director

**Shannon & Buffett, LLP**

Chartered Professional Accountants



**THE BEAVERBROOK ART GALLERY**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Operating Fund</b>	<b>Lord Beaverbrook Fund</b>	<b>Unrestricted Endowment Fund</b>	<b>Restricted Senator Richard Hatfield Memorial Fund</b>	<b>Endowment 2012</b>	<b>Total 2019</b>	<b>Total 2018</b>
<b>Revenues:</b>							
Fees, sales, donations and other revenue (note 8)	\$ 560,063	\$ -	\$ -	\$ -	\$ -	\$ 560,063	\$ 585,115
Investment (note 18)	-	291,667	3,017	561,924	1,079,233	1,935,841	(893,906)
Grants and contributions (note 9)	1,571,386	-	-	-	-	1,571,386	1,007,490
Deferred contributions (note 7)	318,549	-	-	-	-	318,549	518,522
	<u>2,449,998</u>	<u>291,667</u>	<u>3,017</u>	<u>561,924</u>	<u>1,079,233</u>	<u>4,385,839</u>	<u>1,217,221</u>
<b>Expenses:</b>							
Administration (note 10)	390,648	-	-	-	-	390,648	352,856
Building maintenance (note 11)	311,766	-	-	-	-	311,766	297,646
Collections	40,537	-	-	-	-	40,537	52,070
Exhibitions	351,343	-	-	-	-	351,343	242,057
Programming and outreach	87,472	-	-	-	-	87,472	105,088
Interest - construction financing	64,304	-	-	-	-	64,304	163,195
Investment management fees	-	8,591	80	16,848	32,642	58,161	70,193
Marketing and promotion	94,456	-	-	-	-	94,456	50,711
Salary and benefits	1,437,376	-	-	-	-	1,437,376	1,484,918
Amortization	629,020	-	-	-	-	629,020	624,506
	<u>3,406,922</u>	<u>8,591</u>	<u>80</u>	<u>16,848</u>	<u>32,642</u>	<u>3,465,083</u>	<u>3,443,240</u>
<b>Excess revenue (expenses)</b>	(956,924)	283,076	2,937	545,076	1,046,591	920,756	(2,226,019)
Interfund transfers - budgeted (note 12)	704,058	(106,846)	(22,717)	(208,433)	(366,062)	-	-
Interfund transfers - special (note 12)	1,000,000	(387,000)	-	(213,000)	(400,000)	-	-
<b>Increase (decrease) in fund balances</b>	747,134	(210,770)	(19,780)	123,643	280,529	920,756	(2,226,019)
Fund balances, beginning of year	992,130	1,848,993	20,200	3,749,249	6,804,801	13,415,373	15,641,392
<b>Fund balances, end of year</b>	<u>\$ 1,739,264</u>	<u>\$ 1,638,223</u>	<u>\$ 420</u>	<u>\$ 3,872,892</u>	<u>\$ 7,085,330</u>	<u>\$ 14,336,129</u>	<u>\$ 13,415,373</u>

**Shannon & Buffett, LLP**

Chartered Professional Accountants

**THE BEAVERBROOK ART GALLERY**  
**STATEMENT OF CASH FLOWS - OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Cash generated from (used in):</b>		
<b>Operating activities:</b>		
Excess (expenses over revenue) - operating fund	\$ (956,924)	\$ (1,261,920)
Amortization of capital assets	629,020	624,506
Amortization of deferred contributions	<u>(318,549)</u>	<u>(518,522)</u>
	(646,453)	(1,155,936)
Net change in non-cash working capital (note 13)	<u>(88,372)</u>	<u>(368,703)</u>
	<u>(734,825)</u>	<u>(1,524,639)</u>
<b>Financing activities:</b>		
Increase in (repayments of) bank indebtedness	140,000	(2,765,000)
Interfund transfers	1,704,058	4,001,639
Repayment of loans	(50,000)	(175,174)
Receipt (use) of deferred contributions	<u>358,897</u>	<u>1,089,827</u>
	<u>2,152,955</u>	<u>2,151,292</u>
<b>Investing activities:</b>		
Additions to capital assets	<u>(476,842)</u>	<u>(288,746)</u>
<b>Increase in cash position</b>	941,288	337,907
<b>Cash position, beginning of year</b>	<u>121,360</u>	<u>(216,547)</u>
<b>Cash position, end of year</b>	<u>\$ 1,062,648</u>	<u>\$ 121,360</u>



## THE BEAVERBROOK ART GALLERY

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

#### **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.

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, 2019**

**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 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, 2019

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 2018 and 2019 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.
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, 2019

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:**

	-----2019-----			-----2018-----
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building:				
Original building	\$ 1,395,284	\$ 1,118,503	\$ 276,781	\$ 101,872
East wing	3,298,550	3,083,559	214,991	297,455
North and south wall reconstruction	389,583	321,408	68,175	77,915
Marion McCain Atlantic Gallery	1,368,092	855,059	513,033	547,235
Building retrofit	1,278,551	691,940	586,611	618,575
Phase 1 improvements	3,787,404	947,031	2,840,373	2,935,058
Harriet Irving Gallery Pavilion	1,821,086	172,804	1,648,282	1,693,809
	<u>11,643,006</u>	<u>865,432</u>	<u>10,777,574</u>	<u>11,057,148</u>
	24,981,556	8,055,736	16,925,820	17,329,067
Projects in progress	<u>255,551</u>	<u>-</u>	<u>255,551</u>	<u>-</u>
Equipment	<u>242,565</u>	<u>224,645</u>	<u>17,920</u>	<u>22,401</u>
	<u>\$ 25,479,672</u>	<u>\$ 8,280,381</u>	<u>\$ 17,199,291</u>	<u>\$ 17,351,468</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

4. **Bank indebtedness:**

	<u>2019</u>	<u>2018</u>
Royal Bank of Canada revolving demand facility to a maximum of \$1,000,000, interest payable monthly at prime plus 0.25%. \$	835,000	\$ 270,000
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%.	<u>960,000</u>	<u>1,385,000</u>
	<u>\$ 1,795,000</u>	<u>\$ 1,655,000</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>2019</u>	<u>2018</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>\$ 199,826</u>	<u>\$ 249,826</u>

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

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

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

6. Deferred revenue:

	<u>Opening Balances</u>	<u>Funds Received</u>	<u>Revenue Recognized</u>	<u>Closing Balances 2019</u>
Nellie Alberta Peacock Taylor Fund	\$ 45,572	\$ -	\$ -	\$ 45,572
Mary Hashey	24,824	400	-	25,224
Province of New Brunswick various exhibitions and projects	120,339	2,437	122,776	-
Canadian Heritage	-	47,000	22,000	25,000
Canada Council for the Arts	-	192,500	147,500	45,000
Toronto Dominion Bank - Capital Maintenance fund	14,950	-	4,950	10,000
Funds related to various exhibitions and publications	<u>53,151</u>	<u>86,544</u>	<u>95,694</u>	<u>44,001</u>
Total deferred operating fund revenue	<u>258,836</u>	<u>328,881</u>	<u>392,920</u>	<u>194,797</u>
Capital Campaign - funds deferred for:				
Infrastructure projects	20,000	223,200	243,200	-
Programs	581,724	-	119,781	461,943
Unrestricted	135,696	-	135,696	-
Endowment	<u>106,879</u>	<u>26,511</u>	<u>-</u>	<u>133,390</u>
Total deferred Capital Campaign revenue	<u>844,299</u>	<u>249,711</u>	<u>498,677</u>	<u>595,333</u>
	<u>\$1,103,135</u>	<u>\$ 578,592</u>	<u>\$ 891,597</u>	<u>\$ 790,130</u>

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**7. Deferred contributions:**

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

<b><u>Assets</u></b>	<b><u>Sources</u></b>	<b><u>Value (Year of acquisition)</u></b>	<b><u>Year 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>2019</u></b>	<b><u>2018</u></b>
Balance, beginning of year	\$ 13,788,452	\$ 13,217,147
Add: contributions allocated	358,897	1,089,827
Less: amortization (transfer to operating revenue)	<u>(318,549)</u>	<u>(518,522)</u>
Balance, end of year	<u>\$ 13,828,800</u>	<u>\$ 13,788,452</u>

THE BEAVERBROOK ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

	<u>2019</u>	<u>2018</u>
<b>General fund:</b>		
Admissions	\$ 73,071	\$ 66,675
Advertising	5,900	1,575
Annual appeal	28,895	13,856
Catalogues and book sales	4,691	6,139
Donations	41,912	15,714
Education program	69,676	144,365
Exhibition rentals, crating and shipping	10,000	10,000
Fundraising and special events	113,657	24,725
Gift shop (net of cost of sales - \$34,850, 2018 - \$23,934)	14,805	39,236
Cost recoveries	13,470	-
Membership fees	47,747	56,739
Miscellaneous	3,254	173
Photography	-	2,025
Rentals	<u>116,071</u>	<u>106,249</u>
Total operating fund fees, sales, donations and other revenue	543,149	487,471
<b>Capital Campaign:</b>		
Portion of contributions retained for administration (7% of total contributions)	<u>16,914</u>	<u>97,644</u>
	<u>\$ 560,063</u>	<u>\$ 585,115</u>

9. Revenue - grants and contributions:

	<u>2019</u>	<u>2018</u>
C.E. Baker Trust	\$ 9,300	\$ 10,390
Canada Council	82,000	45,000
City of Fredericton	36,800	47,384
Federal grants	159,500	-
Program grants, donations and fundraising	433,705	135,562
Province of New Brunswick	825,081	744,154
The Tecolote Foundation	<u>25,000</u>	<u>25,000</u>
	<u>\$ 1,571,386</u>	<u>\$ 1,007,490</u>



**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**10. Expenses - administration:**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Information technology	\$ 131,735	\$ 32,219
Insurance	72,881	79,952
Interest and bank charges	12,979	8,683
Miscellaneous	3,852	5,121
Off-site storage	17,267	16,520
Office	13,876	20,159
Postage	8,221	4,889
Printing	7,688	6,277
Professional fees	45,470	53,506
Telephone	22,336	25,596
Travel and conferences	<u>54,343</u>	<u>99,934</u>
	<u>\$ 390,648</u>	<u>\$ 352,856</u>

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
Building and equipment repairs	\$ 192,482	\$ 178,862
Electricity	111,868	111,004
Steam heat/water	<u>7,416</u>	<u>7,780</u>
	<u>\$ 311,766</u>	<u>\$ 297,646</u>

**12. 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. During the 2019 year, amounts were drawn from restricted funds for 2020 budget requirements. These amounts have been reflected as Interfund transfers - special.

**THE BEAVERBROOK ART GALLERY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
Decrease (increase) in accounts receivable	\$ (58,015)	\$ 168,941
Decrease (increase) in inventory	5,253	(10,962)
Decrease (increase) in prepaid expenses	69,007	(128,331)
Increase (decrease) in accounts payable and accrued liabilities	208,388	(570,221)
Increase (decrease) in deferred revenue	<u>(313,005)</u>	<u>171,870</u>
	<u>\$ (88,372)</u>	<u>\$ (368,703)</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 amount contributed in 2019 related to the pension plan was \$18,044 (2018 - \$43,083). Effective April 2019, the pension plan was discontinued and qualifying employees were enrolled in a group RRSP.

**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**  
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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. As described in note 17, volatility in the financial markets has increased substantially subsequent to the year end due to the Covid-19 pandemic. The effect of this increased volatility on the financial instruments of the Gallery is currently unknown, but may be material.

**Changes in risk -**

With the exception of the subsequent increased market risk exposure relating to the Covid-19 pandemic, there have been no significant changes in the Gallery's risk exposures from the prior year.

**16. Comparative figures:**

Certain 2018 figures presented for comparative purposes have been reclassified in order to conform with the presentation adopted for the 2019 fiscal year. Most significantly, the segment under the category of Capital Campaign has been combined with the Unrestricted Operating Fund. This change was made to reflect the winding down of the capital campaign which was undertaken as an internal allocation of resources towards raising funds for the expansion of the Gallery during the previous several years. This change does not result in any substantive change in the amounts presented.

**17. Subsequent event:**

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. Known impacts on the Gallery include disruptions and/or restrictions on employees' ability to work, closing the Gallery 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, 2019**

**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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Income distribution	\$ 81,932	\$ 128,791	\$ 21	\$ 1,478	\$ 185,797	\$ 251,236	\$ 348,937	\$ 468,508	\$ 616,687	\$ 850,013
Realized gains	40,960	8,628	2,138	153,700	22,433	37,774	5,992	17,708	71,523	217,810
Unrealized gains (losses)	<u>168,775</u>	<u>(259,905)</u>	<u>858</u>	<u>(232,647)</u>	<u>353,694</u>	<u>(552,364)</u>	<u>724,304</u>	<u>(916,813)</u>	<u>1,247,631</u>	<u>(1,961,729)</u>
Total investment income	\$ <u>291,667</u>	\$ <u>(122,486)</u>	\$ <u>3,017</u>	\$ <u>(77,469)</u>	\$ <u>561,924</u>	\$ <u>(263,354)</u>	\$ <u>1,079,233</u>	\$ <u>(430,597)</u>	\$ <u>1,935,841</u>	\$ <u>(893,906)</u>