

Financial Statements

ART GALLERY OF NOVA SCOTIA

March 31, 2006

ART GALLERY OF NOVA SCOTIA
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MARCH 31, 2006

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AUDITORS' REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the **Art Gallery of Nova Scotia** consisting of the following:

- | | |
|----------------------------|--|
| Art Gallery of Nova Scotia | - Combined Balance Sheet as at March 31, 2006 |
| Gallery Fund | - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2006 |
| Endowment Fund | - Balance Sheet as at March 31, 2006
- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2006 |
| Acquisition Fund | - Balance Sheet as at March 31, 2006
- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2006 |

These financial statements are the responsibility of the Gallery's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Halifax, Canada
April 28, 2006

Chartered Accountants

Art Gallery of Nova Scotia

COMBINED BALANCE SHEET

As at March 31

	2006	2005
	\$	\$
ASSETS		
Current		
Cash [note 4]	55,237	84,080
Accounts receivable	259,419	210,808
Inventory	167,052	145,387
Prepays	60,919	20,697
	<u>542,627</u>	<u>460,972</u>
Investments [note 5]	1,815,144	2,010,572
	<u>2,357,771</u>	<u>2,471,544</u>
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	385,612	342,270
Deferred revenue	109,882	56,566
	<u>495,494</u>	<u>398,836</u>
Surplus		
Surplus – Gallery Fund	61,501	134,076
Surplus - Endowment Fund [note 4]	1,907,012	1,960,328
Deficit - Acquisition Fund	(106,236)	(21,696)
	<u>1,862,277</u>	<u>2,072,708</u>
	<u>2,357,771</u>	<u>2,471,544</u>

See accompanying notes

On behalf of the Board:

Governor

Governor

**Art Gallery of Nova Scotia
Gallery Fund**

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

Year ended March 31

	2006	2005
	\$	\$
Revenue		
Province of Nova Scotia <i>[note 3]</i>	1,181,504	1,187,848
Sponsorships	160,625	162,488
Grants	493,787	549,361
Admission	284,231	162,632
Other income	94,218	79,769
Memberships	88,486	78,491
Donations - AGNS appeal	47,100	49,381
Public Education Programs	77,306	79,478
Special events	13,577	19,814
Friends of the Gallery	12,521	—
Corporate Campaign	1,850	1,360
Interest	2,511	2,589
	2,456,814	2,373,211
Expenditures <i>[Schedule 1]</i>		
Salaries and benefits	969,964	930,844
Exhibitions and programming	745,122	837,148
Building operations	697,916	736,058
Development/public relations	160,363	172,952
Administration	151,493	131,395
Technology	23,566	14,379
Miscellaneous	9,017	6,315
Printing and publication	7,554	17,572
	2,764,995	2,846,663
Excess of expenditures over revenue before debt forgiveness	(308,181)	(473,452)
Inter-governmental assistance <i>[note 6]</i>	—	298,778
	(308,181)	(174,674)
Excess of gross profit over expenditures Gallery Shop <i>[Schedule 2]</i>	425	2,777
Excess of gross profit over expenditures Product Development <i>[Schedule 3]</i>	26,181	17,548
Excess of expenditures over revenue for the year	(281,575)	(154,349)
Surplus, beginning of year	134,076	95,925
Contribution from Endowment Fund	209,000	215,000
Contribution to Acquisition Fund	—	(22,500)
Surplus, end of year	61,501	134,076

See accompanying notes

**Art Gallery of Nova Scotia
Endowment Fund**

BALANCE SHEET

As at March 31

	2006 \$	2005 \$
ASSETS <i>[note 4]</i>		
Current		
Cash	9,226	20,660
Accounts receivable	716	15
Due from Acquisition Fund	3,750	—
	13,692	20,675
Investments <i>[note 5]</i>	1,815,144	2,010,572
Loan to Gallery Fund	152,738	152,738
	1,981,574	2,183,985
LIABILITIES AND SURPLUS		
Current		
Accounts payable	1,500	3,795
Due to Gallery Fund	73,062	219,862
	74,562	223,657
Surplus		
Restricted	380,000	380,000
Unrestricted	1,527,012	1,580,328
	1,907,012	1,960,328
	1,981,574	2,183,985

See accompanying notes

**Art Gallery of Nova Scotia
Endowment Fund**

**STATEMENT OF REVENUE, EXPENDITURES AND
SURPLUS**

Year ended March 31

	2006 \$	2005 \$
Revenue <i>[note 4]</i>		
Investment income	151,458	155,800
Gallery endowments	23,500	20,000
Life memberships	18,750	7,860
Restricted donations	6,328	450
Planned giving	—	5,098
	200,036	189,208
Expenditures <i>[note 4]</i>		
Trustee fees	21,975	27,115
Donor restricted projects	4,580	4,000
Administration	1,500	1,500
Promotion and public relations	1,297	3,411
Miscellaneous	—	—
	29,352	36,026
Excess of revenue over expenditures for the year	170,684	153,182
Surplus, beginning of year	1,960,328	2,037,146
Contribution to Gallery Fund	(209,000)	(215,000)
Contribution to Acquisition Fund	(15,000)	(15,000)
Surplus, end of year	1,907,012	1,960,328
Less: restricted surplus	(380,000)	(380,000)
Unrestricted surplus, end of year	1,527,012	1,580,328

See accompanying notes

**Art Gallery of Nova Scotia
Acquisition Fund**

BALANCE SHEET

As at March 31

	2006	2005
	\$	\$
ASSETS		
Current		
Cash	219	20
Accounts receivable	54,442	3,373
Due from Product Development	7,500	7,500
	62,161	10,893
LIABILITIES AND DEFICIT		
Current		
Accounts payable	122,191	31,132
Deferred Revenue	1,000	—
Due to Endowment	3,750	—
Due to Gallery Fund	41,456	1,457
	168,397	32,589
Deficit	(106,236)	(21,696)
	62,161	10,893

See accompanying notes

**Art Gallery of Nova Scotia
Acquisition Fund**

STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT

Year ended March 31

	2006	2005
	\$	\$
Revenue		
Donations:		
Art Sales and Rental Society	51,850	—
Other	117,995	223,260
Friends of the Gallery	2,000	1,625
Grants <i>[note 3]</i>	118,576	51,579
AGNS Appeal	100	1,011
	290,521	277,475
Expenditures		
Acquisitions	289,699	149,523
Appraisal and professional fees	76,377	75,998
Shipping	23,700	18,029
Bank charges	252	80
Miscellaneous	33	2,225
	390,061	245,855
Excess of (expenditures over revenue) revenue over expenditures for the year	(99,540)	31,620
Deficit, beginning of year	(21,696)	(90,816)
Contribution from Endowment Fund	15,000	15,000
Contribution from Product Development	—	22,500
	(106,236)	(21,696)

See accompanying notes

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conservation and display of art, and the provision of art education to learners of all ages.

The Art Gallery of Nova Scotia is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the AGNS must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Art Gallery of Nova Scotia received program and education funding during the year from the following sources: Exxon Mobil, McConnell Foundation, Province of Nova Scotia, Center for Entrepreneurship Education and Development and Sobeys Art Foundation.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the AGNS, the accounts of the AGNS are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Governors or various funding authorities.

For financial reporting purposes, the accounts have been classified into the following three groupings:

The *AGNS Gallery Fund* supports the day to day operations of the Provincial Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the *AGNS Acquisition Fund* is to purchase works of art for the Provincial Gallery and cover costs associated with acquiring these works.

The *AGNS Endowment Fund* exists to support and manage all of the investments for the long term survival of the Provincial Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

2. Significant Accounting Policies (cont'd)

Deferral method

The deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Endowment contributions are reported as direct increases in net assets. All other contributions are reported as revenue of the current period.

Inventory

Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

Investments

Investments are recorded at the lower of cost and market. Income is recognized on the settlement date.

Financial instruments

The differences between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and, or credit terms of those instruments.

Measurement uncertainty

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition

Revenue from pledges, donations and life memberships is recognized when the cash is received. All investment income and other revenue is recognized on the accrual basis of accounting.

Acquisitions

Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to \$289,699 (2005 - \$149,523).

Other income

Other income includes revenue from rent, rental spaces and advertising.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

2. Significant Accounting Policies (cont'd)

Contributed goods and services

Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Also, the Province of Nova Scotia provides the AGNS with use of its premises at no cost. Because of the difficulty in determining the fair value, contributed goods and services are not recognized in the financial statements.

Statement of cash flows

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

3. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded in the statement of revenue and expenditures as revenue from the Province, sponsorships or grants as applicable:

	2006	2005
	\$	\$
Gallery Fund:		
Nova Scotia Department of Tourism, Culture and Heritage	1,181,504	1,187,848
Canada Council for the Arts	150,000	121,000
Federal Department of Canadian Heritage	16,996	240,410
Halifax Regional Municipality	25,000	25,000
Canadian Museum Association	6,750	—
Cultural Human Resources Council	1,432	4,000
Department of Education	1,453	—
Province of Nova Scotia	30,409	—
Federation Acadienne	—	2,500
	1,413,544	1,580,758
Acquisition Fund:		
Canada Council for the Arts	30,000	49,800
Federal Department of Canadian Heritage	88,576	1,779
	118,576	51,579
	1,532,120	1,632,337

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

4. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of \$500,000 has been accumulated shall be available for the purpose of:

- a) the acquisition of artworks for the permanent collection;
- b) the expansion of exhibition and art education programs; and
- c) other special projects.

The funds which will be placed in the Endowment Fund will be:

- a) donations designated as such by the donor;
- b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
- c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

5. Investments

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

	2006		2005	
	Cost	Market	Cost	Market
	\$	Value	\$	Value
		\$		\$
Endowment Fund				
Equity	1,815,144	2,296,654	2,010,572	2,378,162

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

6. Inter-governmental Assistance

During the year, the AGNS received nil in inter-governmental assistance from the Department of Transportation and Public Works relating to building repairs and maintenance.

In the prior year, the AGNS received \$298,778 of similar assistance from the Department of Transportation and Public Works relating to building repairs and maintenance.

7. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

SCHEDULE OF EXPENDITURES

Year ended March 31

	2006 \$	2005 \$
Salaries and Benefits		
Salaries and employee benefits	969,964	930,844
	969,964	930,844
Building Operations		
Utilities	208,251	215,436
Security	199,178	190,758
Building maintenance and cleaning	117,395	126,668
Climate control	99,536	126,117
Insurance	63,740	70,065
Elevator maintenance	9,816	3,807
Building repairs and renovations	—	3,207
	697,916	736,058
Exhibitions and Programming		
Programs	729,760	819,540
Workshop supplies	5,227	6,523
Conservation lab	4,340	4,707
Vehicle	3,907	4,176
Collections management	1,888	2,202
	745,122	837,148
Administration		
Stationery and postage	39,981	35,762
Travel	35,227	35,568
Telephone	29,930	24,183
Equipment rental	14,677	15,814
Professional fees	24,500	12,519
Memberships	5,113	5,985
Delivery administration	1,572	794
Equipment maintenance	493	770
	151,493	131,395
Development/Public Relations		
Development/public relations	160,363	172,952
	160,363	172,952
Printing and Publication		
Printing and publication	7,554	17,572
Photography	—	—
	7,554	17,572
Technology		
Technology	21,288	10,717
Training and development	2,278	3,662
	23,566	14,379
Miscellaneous		
Bank charges	8,874	5,387
Miscellaneous	143	928
	9,017	6,315
Total expenditures	2,764,995	2,846,663

See accompanying notes

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2006	2005
	\$	\$
Revenue		
Art and craft sales	222,003	206,206
Art and craft sales on consignment	70,404	63,630
Books, notes and posters	52,648	40,276
	<u>345,055</u>	<u>310,112</u>
Cost of sales	195,847	171,583
Gross profit	<u>149,208</u>	<u>138,529</u>
Expenditures		
Salaries and employee benefits	106,644	98,666
Office and administration	42,139	37,086
	<u>148,783</u>	<u>135,752</u>
Excess of gross profit over expenditures for the year	<u>425</u>	<u>2,777</u>

See accompanying notes

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2006	2005
	\$	\$
Revenue	53,259	80,439
Cost of sales	18,015	34,273
Gross profit	35,244	46,166
Expenditures		
Salaries and employee benefits	4,768	5,537
Promotional	2,932	3,896
Office and administration	1,106	4,169
Royalties	257	15,016
	9,063	28,618
Excess of gross profit over expenditures for the year	26,181	17,548

See accompanying notes