

Financial Statements

Art Gallery of Nova Scotia
March 31, 2008

ART GALLERY OF NOVA SCOTIA
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MARCH 31, 2008

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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, 2008
Combined Statement of Revenue, Expenditures and Surplus
(Deficit) for the year ended March 31, 2008 |
| Gallery Fund | - Balance Sheet as at March 31, 2008
- Statement of Revenue, Expenditures and Surplus (Deficit)
for the year ended March 31, 2008 |
| Endowment Fund | - Balance Sheet as at March 31, 2008
- Statement of Revenue, Expenditures and Surplus
for the year ended March 31, 2008 |
| Acquisition Fund | - Balance Sheet as at March 31, 2008
- Statement of Revenue, Expenditures and Deficit
for the year ended March 31, 2008 |

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 revenue from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenue 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 16, 2008

Ernst & Young LLP

Chartered Accountants

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Art Gallery of Nova Scotia

COMBINED BALANCE SHEET

As at March 31

	2008	2007
	\$	\$
ASSETS		
Current		
Cash [note 4]	186,403	166,194
Accounts receivable	207,275	163,764
Inventory	152,690	138,326
Prepaid expenses	138,313	62,581
Total current assets	684,681	530,865
Investments [notes 2 and 5]	2,168,957	1,802,834
	2,853,638	2,333,699
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	567,359	350,867
Deferred revenue	130,331	114,207
Total current liabilities	697,690	465,074
Surplus		
Deficit - Gallery Fund	(117,508)	(8,107)
Surplus - Endowment Fund [note 4]	2,281,835	1,910,521
Deficit - Acquisition Fund	(8,379)	(33,789)
Total surplus	2,155,948	1,868,625
	2,853,638	2,333,699

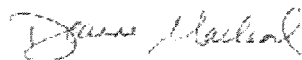
Contingencies [note 7]

See accompanying notes

On behalf of the Board:



Governor



Governor



Art Gallery of Nova Scotia

**COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND SURPLUS (DEFICIT)**

Year ended March 31

	Gallery Fund \$	Endowment Fund \$	Acquisition Fund \$	Total 2008 \$	Total 2007 \$
Revenue					
Operating	2,279,676	—	—	2,279,676	2,442,486
Programming	936,814	—	—	936,814	679,846
Gallery Shop (net)	48,570	—	—	48,570	37,789
Product Development (net)	13,499	—	—	13,499	20,736
Other	—	283,531	435,931	719,462	421,122
	<u>3,278,559</u>	<u>283,531</u>	<u>435,931</u>	<u>3,998,021</u>	<u>3,601,979</u>
Expenditures					
Salaries and benefits	1,178,410	—	—	1,178,410	1,158,507
Administration and building operations	885,003	109,143	97,807	1,091,953	919,996
Programming	1,110,890	—	—	1,110,890	922,603
Communications and marketing	125,563	—	—	125,563	130,849
Western branch	188,094	—	—	188,094	306,264
Acquisitions	—	—	312,714	312,714	157,412
	<u>3,487,960</u>	<u>109,143</u>	<u>410,521</u>	<u>4,007,624</u>	<u>3,595,631</u>
(Deficiency) excess of revenue over expenditures for the year					
	(209,401)	174,388	25,410	(9,603)	6,348
(Deficit) surplus, beginning of year	(8,107)	1,910,521	(33,789)	1,868,625	1,862,277
Unrealized loss [notes 2 and 5]	—	(314,519)	—	(314,519)	—
Opening adjustment regarding change in accounting policy [note 2]	—	562,965	—	562,965	—
Restricted donations	—	48,480	—	48,480	—
Interfund transfers	100,000	(100,000)	—	—	—
(Deficit) surplus, end of year	<u>(117,508)</u>	<u>2,281,835</u>	<u>(8,379)</u>	<u>2,155,948</u>	<u>1,868,625</u>

See accompanying notes



Art Gallery of Nova Scotia
Gallery Fund

BALANCE SHEET

As at March 31

	2008	2007
	\$	\$
ASSETS		
Current		
Cash	55,210	141,188
Accounts receivable	170,535	145,065
Due from Endowment Fund	50,590	73,062
Due from Acquisition Fund	8,150	12,777
Inventory	152,690	138,326
Prepaid expenses	138,313	62,581
Total current assets	575,488	572,999
LIABILITIES AND DEFICIT		
Current		
Accounts payable and accrued liabilities	409,927	314,161
Deferred revenue	130,331	114,207
Total current liabilities	540,258	428,368
Due to Endowment Fund	152,738	152,738
	692,996	581,106
Deficit	(117,508)	(8,107)
	575,488	572,999

See accompanying notes



Art Gallery of Nova Scotia
Gallery Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND SURPLUS (DEFICIT)**

Year ended March 31

	2008	2007
	\$	\$
Operating Revenue		
Province of Nova Scotia - operating grant <i>[note 3]</i>	1,835,872	1,928,542
Admissions	191,007	216,349
Memberships	88,473	91,923
Donations	78,846	91,451
Rental recoveries	83,738	83,218
Other	1,740	31,003
	<u>2,279,676</u>	<u>2,442,486</u>
Programming Revenue		
Exhibitions	623,631	476,525
Education and outreach	313,183	172,284
Special events	—	31,037
	<u>936,814</u>	<u>679,846</u>
	<u>3,216,490</u>	<u>3,122,332</u>
Expenditures <i>[Schedule 1]</i>		
Salaries and benefits	1,178,410	1,158,507
Administration and building operations	885,003	833,242
Programming	1,110,890	922,603
Communications and marketing	125,563	130,849
Western branch	188,094	306,264
	<u>3,487,960</u>	<u>3,351,465</u>
Excess of operating expenditures over revenue before the following	(271,470)	(229,133)
Excess of revenues over expenditures		
Gallery Shop <i>[Schedule 2]</i>	48,570	37,789
Product Development <i>[Schedule 3]</i>	13,499	20,736
Excess of expenditures over revenue for the year	(209,401)	(170,608)
(Deficit) surplus, beginning of year	(8,107)	61,501
Contribution from Endowment Fund	100,000	101,000
Deficit, end of year	(117,508)	(8,107)

See accompanying notes



Art Gallery of Nova Scotia
Endowment Fund

BALANCE SHEET

As at March 31

	2008	2007
	\$	\$
ASSETS <i>[note 4]</i>		
Current		
Cash	45,502	23,412
Accounts receivable	6,168	849
Due from Acquisition Fund	8,750	3,750
Total current assets	<u>60,420</u>	<u>28,011</u>
Investments <i>[notes 2 and 5]</i>	2,168,957	1,802,834
Due from Gallery Fund	152,738	152,738
	<u>2,382,115</u>	<u>1,983,583</u>
LIABILITIES AND SURPLUS		
Current		
Accounts payable	49,690	—
Due to Gallery Fund	50,590	73,062
Total current liabilities	<u>100,280</u>	<u>73,062</u>
Surplus		
Restricted	479,315	410,112
Unrestricted	1,802,520	1,500,409
Total surplus	<u>2,281,835</u>	<u>1,910,521</u>
	<u>2,382,115</u>	<u>1,983,583</u>

See accompanying notes

Art Gallery of Nova Scotia
Endowment Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND SURPLUS**

Year ended March 31

	2008	2007
	\$	\$
Revenue [note 4]		
Investment income	273,006	118,041
Donations	200	300
Life members' fees	10,325	18,875
	<u>283,531</u>	<u>137,216</u>
Expenditures [note 4]		
Trustee fees	23,335	21,811
Donor restricted projects	29,291	6,065
Professional fees	46,276	—
Administration	—	2,655
Promotion and public relations	10,241	2,176
	<u>109,143</u>	<u>32,707</u>
Excess of revenue over expenditures for the year	174,388	104,509
Surplus, beginning of year	1,910,521	1,907,012
Unrealized loss	(314,519)	—
Opening adjustment [note 2]	562,965	—
Restricted donations	48,480	—
Contribution to Gallery Fund	(100,000)	(101,000)
Surplus, end of year	<u>2,281,835</u>	<u>1,910,521</u>
Less: restricted surplus	(479,315)	(410,112)
Unrestricted surplus, end of year	<u>1,802,520</u>	<u>1,500,409</u>

See accompanying notes



Art Gallery of Nova Scotia
Acquisition Fund

BALANCE SHEET

As at March 31

	2008	2007
	\$	\$
ASSETS		
Current		
Cash	85,691	1,594
Accounts receivable	30,572	17,850
Due from Product Development	—	7,500
Total current assets	<u>116,263</u>	<u>26,944</u>
LIABILITIES AND DEFICIT		
Current		
Accounts payable	107,742	36,706
Due to Endowment Fund	8,750	3,750
Due to Gallery Fund	8,150	20,277
Total current liabilities	<u>124,642</u>	<u>60,733</u>
Deficit	<u>(8,379)</u>	<u>(33,789)</u>
	<u>116,263</u>	<u>26,944</u>

See accompanying notes

Art Gallery of Nova Scotia
Acquisition Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND DEFICIT**

Year ended March 31

	2008	2007
	\$	\$
Revenue		
Donations		
Art Sales and Rental Society	42,500	22,000
Other	237,856	177,066
Friends of the Gallery	5,850	5,325
Grants <i>[note 3]</i>	130,142	30,000
Endowment Fund	19,583	—
Patron dinner	—	49,430
Interest income	—	85
	<u>435,931</u>	<u>283,906</u>
Expenditures		
Acquisitions	312,714	157,412
Appraisal and professional fees	80,429	46,215
Shipping	16,983	6,912
Bank charges	226	75
Miscellaneous	169	845
	<u>410,521</u>	<u>211,459</u>
Excess of revenue over expenditures for the year	25,410	72,447
Deficit, beginning of year	<u>(33,789)</u>	<u>(106,236)</u>
Deficit, end of year	(8,379)	(33,789)

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

1. PURPOSE OF THE ORGANIZATION

The Art Gallery of Nova Scotia's (the "AGNS" or the "Gallery") 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 AGNS is an agency of the Province of Nova Scotia and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. SUMMARY OF 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 significant accounting policies summarized below:

Change in accounting policies

Effective April 1, 2007, the AGNS adopted the recommendations of CICA 3855: Financial Instruments – Recognition and Measurement and CICA 3861: Financial Instruments – Disclosure and Presentation. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by CICA 3855, all investments are now presented at fair value. In prior years, investments were recorded at cost, net of a write-down if market was less than cost on a portfolio basis. As permitted by CICA 3855, the AGNS's other financial assets and liabilities continue to be presented at amortized cost which approximates fair value.

As required by the transitional provisions of CICA 3855, the accounting policy change from cost to fair value was adopted retroactively, without restatement of the prior year's financial statements. As a result of the change, as at April 1, 2007, investments in the Endowment Fund were increased by \$562,965 and the unrestricted surplus of the Endowment Fund was also increased by \$562,965.

The Gallery's other financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates fair value given the short-term nature and credit terms of these instruments.



NOTES TO FINANCIAL STATEMENTS

March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Future accounting policy changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

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 acquire, by gift or purchase, works of art for the Provincial Collection and cover costs associated with acquiring these works.

The *AGNS Endowment Fund* exists to generate income to help support the operations 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferral method

Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the year 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 year.

Cash

Cash consists of bank balances and cash on hand.

Inventory

Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value. The direct costing method is used.

Investments and investment income

Pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. All investments are designated as available-for-sale. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized gains and losses, is recorded as revenue in the statement of revenue, expenditures and surplus (deficit). Investment income which consists of unrealized gains and losses is recorded on the statement of revenue, expenditures and surplus (deficit). When these gains and losses are realized they are removed from the surplus and recorded as revenue for the year.

Financial instruments

The AGNS is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the AGNS has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.



Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

Revenue from pledges, donations and life memberships is recognized when the cash is received. All 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 AGNS are expensed in the year acquired. Acquisitions expensed in the current year amounted to \$312,714 (2007 - \$157,412).

Other income

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

Contributed goods and services

Volunteers contributed approximately 25,000 hours this year to assist the AGNS 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.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

3. GOVERNMENT ASSISTANCE

During the year, the AGNS recognized revenue from provincial, federal and other grants which are recorded in the statement of revenue, expenditures and surplus (deficit) as revenue from the Province, sponsorships or grants as applicable:

	2008	2007
	\$	\$
Gallery Fund		
Nova Scotia Department of Tourism, Culture and Heritage	1,835,872	1,928,542
Canada Council for the Arts	257,500	145,000
Federal Department of Canadian Heritage	—	24,659
Halifax Regional Municipality	—	50,000
Canadian Museum Association	—	2,250
Canadian Human Resources Council	7,615	—
Department of Education	33,000	25,000
Nova Scotia Department of Tourism, Culture and Heritage	30,000	30,000
Province of Nova Scotia	25,000	25,000
Office of African Nova Scotia Affairs	3,000	—
Council on African Canadian Education	5,000	—
Town of Yarmouth	7,500	—
	2,204,487	2,230,451
Acquisition Fund		
Canada Council for the Arts	60,000	30,000
Federal Department of Canadian Heritage	70,142	—
	130,142	30,000
	2,334,629	2,260,451



Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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 memberships fees; and
- c) any funds specifically designated by the Board of Governors.

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

5. INVESTMENTS

The investments included in the AGNS's financial statements are comprised of the following:

	2008		2007	
	Cost \$	Market value \$	Cost \$	Market value \$
Endowment Fund				
Common equity	1,081,575	1,289,468	1,051,089	1,587,988
Short-term notes	63,075	63,075	18,372	18,372
Bonds and debentures	775,861	816,414	733,373	759,438
	<u>1,920,511</u>	<u>2,168,957</u>	<u>1,802,834</u>	<u>2,365,798</u>

6. COMPARATIVE FIGURES

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



Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

7. CONTINGENCIES

The AGNS may be allocated damages and costs which may arise from a claim against the Province of Nova Scotia, relating to a Phase II reconstruction contract in 1997. The case went to trial in November 2006 and is awaiting judgment. Management believes the claim against the Province of Nova Scotia to be without merit and the amount, if any, to be allocated to the AGNS by the Province of Nova Scotia in the event of a loss to be undeterminable. Accordingly, the AGNS has not recorded a liability in these financial statements. An estimate of the amount cannot be made at this time.



SCHEDULE OF EXPENDITURES

Year ended March 31

	2008	2007
	\$	\$
Salaries and benefits		
Salaries and employee benefits	1,178,410	1,158,507
Administration		
Stationery and postage	36,705	39,104
Travel	34,455	24,987
Telephone	28,385	25,775
Equipment rental	19,064	13,150
Professional fees	22,558	18,500
Memberships	7,004	4,480
Technology	28,610	8,350
Bank charges	6,172	8,317
Miscellaneous	10,826	5,442
	<u>193,779</u>	<u>148,105</u>
Building operations		
Utilities	244,059	242,343
Security and interpreters	194,055	180,001
Building maintenance and cleaning	133,366	124,640
Climate control	71,671	65,640
Insurance	36,868	63,476
Elevator maintenance	11,205	9,037
	<u>691,224</u>	<u>685,137</u>
Programming		
Exhibitions	786,292	732,633
Education and outreach	309,186	182,103
Collection management	15,412	7,867
	<u>1,110,890</u>	<u>922,603</u>
Communications and marketing		
Development/public relations	105,268	106,510
Printing and publications	20,295	24,339
	<u>125,563</u>	<u>130,849</u>
Western branch		
Salaries and benefits	68,128	61,552
Building maintenance	—	70,446
Capital costs	90,306	91,512
Programming	18,418	56,056
Travel	8,192	14,098
Other	3,050	12,600
	<u>188,094</u>	<u>306,264</u>
Total expenditures	<u>3,487,960</u>	<u>3,351,465</u>

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2008	2007
	\$	\$
Revenue		
Art and craft sales	240,943	193,730
Art and craft sales on consignment	54,493	52,567
Books, notes and posters	48,089	35,102
	<u>343,525</u>	<u>281,399</u>
Cost of sales	170,869	140,714
Gross profit	<u>172,656</u>	<u>140,685</u>
Expenditures		
Salaries and benefits	104,147	90,629
Office and administration	19,939	12,267
	<u>124,086</u>	<u>102,896</u>
Excess of gross profit over expenditures for the year	<u>48,570</u>	<u>37,789</u>



SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2008	2007
	\$	\$
Revenue	58,854	52,870
Cost of sales	27,500	20,354
Gross profit	31,354	32,516
Expenditures		
Salaries and employee benefits	12,410	5,125
Promotional	3,411	2,576
Office and administration	1,497	1,893
Royalties	537	2,186
	17,855	11,780
Excess of gross profit over expenditures for the year	13,499	20,736



