

Financial Statements

ART GALLERY OF NOVA SCOTIA

March 31, 2007



ART GALLERY OF NOVA SCOTIA
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MARCH 31, 2007

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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	<ul style="list-style-type: none">- Combined Balance Sheet as at March 31, 2007- Combined Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2007
Gallery Fund	<ul style="list-style-type: none">- Balance Sheet as at March 31, 2007- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2007
Endowment Fund	<ul style="list-style-type: none">- Balance Sheet as at March 31, 2007- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2007
Acquisition Fund	<ul style="list-style-type: none">- Balance Sheet as at March 31, 2007- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2007

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, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 11, 2007

Ernst & Young LLP

Chartered Accountants

Art Gallery of Nova Scotia

COMBINED BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Current		
Cash [note 4]	166,194	55,237
Accounts receivable	163,764	259,419
Inventory	138,326	167,052
Prepays	62,581	60,919
	530,865	542,627
Investments [note 5]	1,802,834	1,815,144
	2,333,699	2,357,771
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	350,867	385,612
Deferred revenue	114,207	109,882
	465,074	495,494
Surplus (deficit)		
(Deficit) surplus – Gallery Fund	(8,107)	61,501
Surplus - Endowment Fund [note 4]	1,910,521	1,907,012
Deficit - Acquisition Fund	(33,789)	(106,236)
	1,868,625	1,862,277
	2,333,699	2,357,771

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**

Year ended March 31

	Gallery Fund \$	Endowment Fund \$	Acquisition Fund \$	Total 2007 \$	Total 2006 \$
Revenue					
Operating	2,442,486	—	—	2,442,486	1,729,389
Programming	679,846	—	—	679,846	727,425
Gallery Shop (net)	37,789	—	—	37,789	425
Product Development (net)	20,736	—	—	20,736	26,181
Other	—	137,216	283,906	421,122	490,557
	3,180,857	137,216	283,906	3,601,979	2,973,977
Expenditures					
Salaries and benefits	1,158,507	—	—	1,158,507	890,347
Administration and Building Operations	833,242	32,707	54,047	919,996	1,011,706
Programming	922,603	—	—	922,603	784,208
Communications and Marketing	130,849	—	—	130,849	167,917
Western Branch	306,264	—	—	306,264	40,531
Acquisitions	—	—	157,412	157,412	289,699
	3,351,465	32,707	211,459	3,595,631	3,184,408
Excess (Expenditures over Revenue) Revenue over Expenditures	(170,608)	104,509	72,447	6,348	(210,431)
Surplus (deficit), beginning of year	61,501	1,907,012	(106,236)	1,862,277	2,072,708
Interfund transfers	101,000	(101,000)	—	—	—
(Deficit) surplus, end of year	(8,107)	1,910,521	(33,789)	1,868,625	1,862,277



Art Gallery of Nova Scotia
Gallery Fund

BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Current		
Cash	141,188	45,793
Accounts receivable	145,065	187,341
Due from Endowment Fund	73,062	73,062
Due from Acquisition Fund	12,777	33,957
Inventory	138,326	167,052
Prepaid expenses	62,581	60,918
	<u>572,999</u>	<u>568,123</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	314,161	244,002
Deferred revenue	114,207	109,882
	<u>428,368</u>	<u>353,884</u>
Due to Endowment Fund	152,738	152,733
	<u>581,106</u>	<u>506,617</u>
(Deficit) surplus	(8,107)	61,501
	<u>572,999</u>	<u>568,118</u>



**Art Gallery of Nova Scotia
Gallery Fund**

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

Year ended March 31

	2007 \$	2006 \$
Operating Revenue		
Province of Nova Scotia – Operating Grant <i>[note 3]</i>	1,928,542	1,181,504
Admissions	216,349	284,231
Memberships	91,923	88,486
Donations	91,451	53,220
Rental recoveries	83,218	88,098
Other	31,003	33,850
	<u>2,442,486</u>	<u>1,729,389</u>
Programming Revenues		
Exhibitions	476,525	591,256
Education/Outreach	172,284	115,462
Special events	31,037	20,707
	<u>679,846</u>	<u>727,425</u>
Total Revenues	<u>3,122,332</u>	<u>2,456,814</u>
Expenditures <i>[Schedule 1]</i>		
Salaries and benefits	1,158,507	890,347
Administration and Building Operations	833,242	881,992
Programming	922,603	784,208
Communications and Marketing	130,849	167,917
Western Branch	306,264	40,531
Total Expenditures	<u>3,351,465</u>	<u>2,764,995</u>
Excess of operating expenditures over revenues	<u>(229,133)</u>	<u>(308,181)</u>
Excess of revenues over expenditures		
Gallery Shop <i>[Schedule 2]</i>	37,789	425
Product Development <i>[Schedule 3]</i>	20,736	26,181
Excess of expenditures over revenue for the year	<u>(170,608)</u>	<u>(281,575)</u>
Surplus, beginning of year	61,501	134,076
Contribution from Endowment Fund	101,000	209,000
(Deficit) surplus, end of year	<u>(8,107)</u>	<u>61,501</u>
<i>See accompanying notes</i>		

**Art Gallery of Nova Scotia
Endowment Fund**

BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS [note 4]		
Current		
Cash	23,412	9,226
Accounts receivable	849	716
Due from Acquisition Fund	3,750	3,750
	28,011	13,692
Investments [note 5]	1,802,834	1,815,144
Due from Gallery Fund	101,738	152,738
	1,932,583	1,981,574
LIABILITIES AND SURPLUS		
Current		
Accounts payable	—	1,500
Due to Gallery Fund	22,062	73,062
	22,062	74,562
Surplus		
Restricted	410,112	394,398
Unrestricted	1,500,409	1,512,614
	1,910,521	1,907,012
	1,932,583	1,981,574

See accompanying notes



**Art Gallery of Nova Scotia
Endowment Fund**

**STATEMENT OF REVENUE, EXPENDITURES AND
SURPLUS**

Year ended March 31

	2007 \$	2006 \$
Revenue [note 4]		
Investment income	114,091	151,458
Gallery endowments	300	23,500
Life memberships	18,875	18,750
Restricted donations	3,950	6,328
	<u>137,216</u>	<u>200,036</u>
Expenditures [note 4]		
Trustee fees	21,811	21,975
Donor restricted projects	6,065	4,580
Administration	2,655	1,500
Promotion and public relations	2,176	1,297
	<u>32,707</u>	<u>29,352</u>
Excess of revenue over expenditures for the year	104,509	170,684
Surplus, beginning of year	1,907,012	1,960,328
Contribution to Gallery Fund	(101,000)	(209,000)
Contribution to Acquisition Fund	—	(15,000)
Surplus, end of year	1,910,521	1,907,012
Less: restricted surplus	(410,112)	(394,398)
Unrestricted surplus, end of year	1,500,409	1,512,614

See accompanying notes

**Art Gallery of Nova Scotia
Acquisition Fund**

BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Current		
Cash	1,594	219
Accounts receivable	17,850	54,442
Due from Product Development	7,500	7,500
	<u>26,944</u>	<u>62,161</u>
LIABILITIES AND DEFICIT		
Current		
Accounts payable	36,706	122,191
Deferred Revenue	—	1,000
Due to Endowment	3,750	3,750
Due to Gallery Fund	20,277	41,456
	<u>60,733</u>	<u>168,397</u>
Deficit	<u>(33,789)</u>	<u>(106,236)</u>
	<u>26,944</u>	<u>62,161</u>

See accompanying notes



Art Gallery of Nova Scotia
Acquisition Fund

STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT

Year ended March 31

	2007 \$	2006 \$
Revenue		
Donations:		
Art Sales and Rental Society	22,000	51,850
Other	171,366	117,995
Friends of the Gallery	5,325	2,000
Grants [note 3]	30,000	118,576
AGNS Appeal	5,700	100
Patron Dinner	49,430	—
Interest income	85	—
	283,906	290,521
Expenditures		
Acquisitions	157,412	289,699
Appraisal and professional fees	46,215	76,377
Shipping	6,912	23,700
Bank charges	75	252
Miscellaneous	845	33
	211,459	390,061
Excess of revenue over expenditures (expenditures over revenue)		
for the year	72,447	(99,540)
Deficit, beginning of year	(106,236)	(21,696)
Contribution from Endowment Fund	—	15,000
Contribution from Product Development	—	—
Deficit, end of year	(33,789)	(106,236)

See accompanying notes



NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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.

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 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, 2007

2. 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 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 \$157,412 (2006 - \$289,699).

Other income

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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:

	2007 \$	2006 \$
Gallery Fund:		
Nova Scotia Department of Tourism, Culture and Heritage	1,928,542	1,181,504
Canada Council for the Arts	145,000	150,000
Federal Department of Canadian Heritage	24,659	16,996
Halifax Regional Municipality	50,000	25,000
Canadian Museum Association	2,250	6,750
Cultural Human Resources Council	—	1,432
Department of Education	25,000	1,453
Nova Scotia Department of Tourism, Culture and Heritage	30,000	30,409
Province of Nova Scotia	25,000	—
	2,230,451	1,413,544
Acquisition Fund:		
Canada Council for the Arts	30,000	30,000
Federal Department of Canadian Heritage	—	88,576
	30,000	118,576
	2,260,451	1,532,120

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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:

	2007		2006	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Endowment Fund				
Common Equity	1,051,089	1,587,988	1,088,452	1,544,663
Short-Term Notes	18,372	18,372	—	—
Bonds and Debentures	733,373	759,438	726,692	751,991
	1,802,834	2,365,798	1,815,144	2,296,654

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

6. Comparative Amounts

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

7. Contingencies

The Art Gallery of Nova Scotia 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 AGNS by the Province in the event of a loss to be undeterminable. Accordingly, the AGNS has not recorded a liability in these financial statements.

SCHEDULE OF EXPENDITURES

Year ended March 31

	2007 \$	2006 \$
Salaries and Benefits		
Salaries and employee benefits	1,158,507	890,347
	1,158,507	890,347
Administration		
Stationery and postage	39,104	39,981
Travel	24,987	35,227
Telephone	25,775	29,930
Equipment rental	13,150	14,677
Professional fees	18,500	24,500
Memberships	4,480	5,113
Technology	8,350	21,288
Bank charges	8,317	8,874
Miscellaneous	5,442	4,486
	148,105	184,076
Building Operations		
Utilities	242,343	208,251
Security	180,001	199,178
Building maintenance and cleaning	124,640	117,395
Climate control	65,640	99,536
Insurance	63,476	63,740
Elevator maintenance	9,037	9,816
	685,137	697,916
Programming		
Exhibitions	732,633	612,816
Education and Outreach	182,103	156,030
Collection management	7,867	15,362
	922,603	784,208
Communications and Marketing		
Development/public relations	106,510	128,114
Printing and publications	24,339	39,803
	130,849	167,917
Western Branch		
Salaries and benefits	61,552	—
Capital costs	91,512	—
Building maintenance	70,446	38,442
Programming	56,056	—
Travel	14,098	1,306
Other	12,600	783
	306,264	40,531
Total expenditures	3,351,465	2,764,995

See accompanying notes



SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2007 \$	2006 \$
Revenue		
Art and craft sales	193,730	222,003
Art and craft sales on consignment	52,567	70,404
Books, notes and posters	35,102	52,648
	<u>281,399</u>	<u>345,055</u>
Cost of sales	140,714	195,847
Gross profit	<u>140,685</u>	<u>149,208</u>
Expenditures		
Salaries and employee benefits	90,629	106,644
Office and administration	12,267	42,139
	<u>102,896</u>	<u>148,783</u>
Excess of gross profit over expenditures for the year	<u>37,789</u>	<u>425</u>

See accompanying notes



SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2007 \$	2006 \$
Revenue	52,870	53,259
Cost of sales	20,354	18,015
Gross profit	32,516	35,244
Expenditures		
Salaries and employee benefits	5,125	4,768
Promotional	2,576	2,932
Office and administration	1,893	1,106
Royalties	2,186	257
	11,780	9,063
Excess of gross profit over expenditures for the year	20,736	26,181

See accompanying notes

ERNST & YOUNG LLP

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