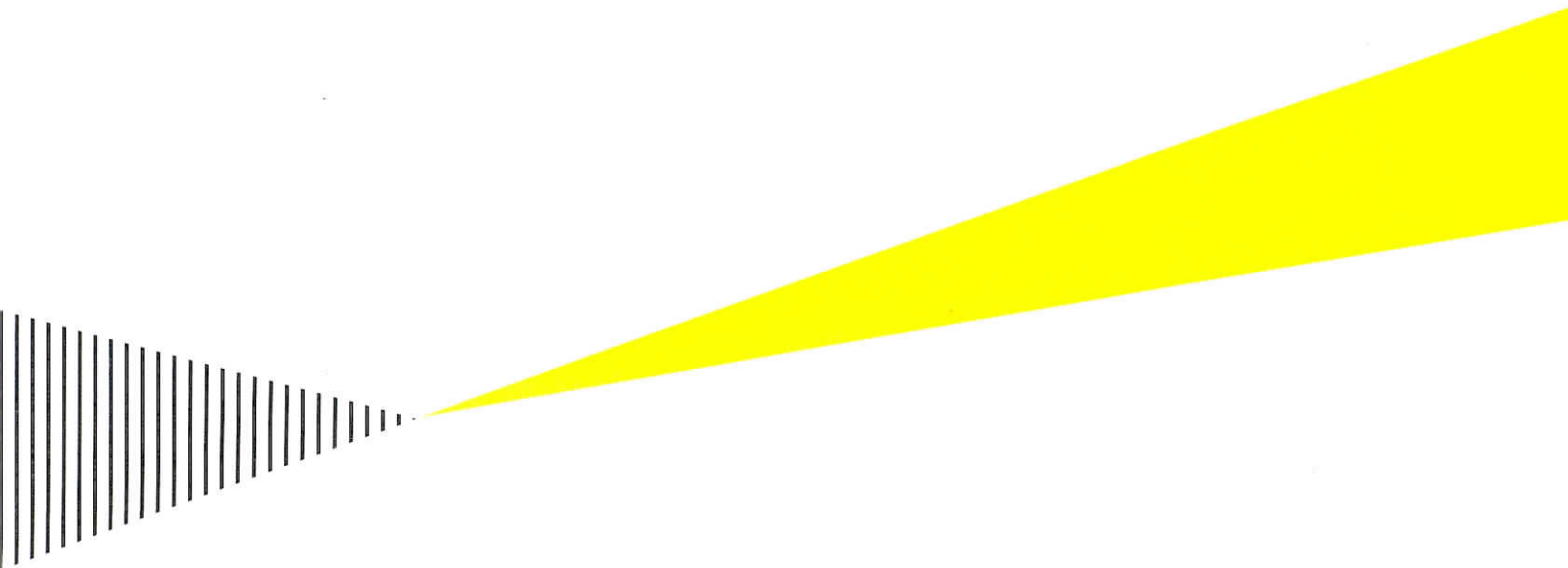


Financial Statements

Art Gallery of Nova Scotia
March 31, 2014



EY

Building a better
working world

MANAGEMENT'S REPORT

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Governors [the "Board"] is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Art Gallery of Nova Scotia and meet when required.

On behalf of the Art Gallery of Nova Scotia:



Raymund Cronin
Director and CEO

June 25, 2014.



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **Art Gallery of Nova Scotia** [the "Gallery"] which comprise the statement of financial position as at March 31, 2014, and the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many charitable organizations, the Gallery derives revenue from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenue might be necessary to revenue, annual surplus, or accumulated operating surplus, end of year.

Qualified opinion

In our opinion, except for the effect of any adjustments that 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 Gallery as at March 31, 2014, and the results of its operations, changes in financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada,
June 25, 2014.

Chartered Accountants

Art Gallery of Nova Scotia

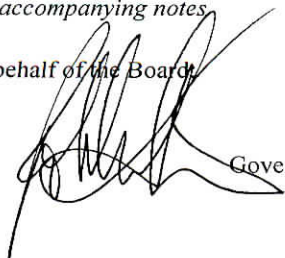
STATEMENT OF FINANCIAL POSITION

As at March 31

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash	391,754	546,205
Accounts receivable	175,278	168,390
Inventory for resale	109,665	105,635
Investments – endowment <i>[notes 4 and 7]</i>	3,190,962	2,433,154
	<u>3,867,659</u>	<u>3,253,384</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	338,042	332,810
Deferred revenue <i>[note 3]</i>	249,945	304,141
	<u>587,987</u>	<u>636,951</u>
Net financial assets	<u>3,279,672</u>	2,616,433
NON-FINANCIAL ASSETS		
Tangible capital assets, net <i>[note 5]</i>	45,362	61,378
Other	69,550	50,376
Prepaid expenses	38,230	40,053
	<u>153,142</u>	<u>151,807</u>
Accumulated surplus <i>[note 6]</i>	<u>3,432,814</u>	2,768,240
Accumulated surplus is comprised of:		
Accumulated operating surplus	3,248,546	2,757,783
Accumulated remeasurment gains	184,268	10,457
	<u>3,432,814</u>	<u>2,768,240</u>

See accompanying notes

On behalf of the Board


Governor


Governor

Art Gallery of Nova Scotia

**STATEMENT OF OPERATIONS
AND ACCUMULATED SURPLUS**

Year ended March 31

	2014	2014	2013
	\$	\$	\$
	[budget]		
REVENUE <i>[schedule 1]</i>			
Operating <i>[note 3]</i>	2,807,000	2,848,294	2,711,600
Programming	591,500	658,493	935,112
Gallery Shop	248,630	191,289	214,536
Other revenue <i>[notes 7 and 8]</i>	170,000	526,708	446,668
	3,817,130	4,224,784	4,307,916
EXPENDITURES <i>[schedule 2]</i>			
Salaries and benefits	2,008,160	2,010,643	1,981,599
Programming	619,025	630,321	854,305
Building operations	27,500	91,504	10,194
Western branch	140,000	194,402	133,777
Gallery Shop	216,330	198,487	187,273
Administration <i>[notes 7 and 8]</i>	361,000	398,244	347,589
Communications and marketing	343,600	182,240	344,436
Acquisitions <i>[note 8]</i>	80,000	11,200	217,993
	3,795,615	3,717,041	4,077,166
	21,515	507,743	230,750
Amortization of tangible capital assets	18,000	16,980	48,397
Annual surplus	3,515	490,763	182,353
Accumulated operating surplus, beginning of year	2,757,783	2,757,783	2,575,430
Accumulated operating surplus, end of year	2,761,298	3,248,546	2,757,783

See accompanying notes

Art Gallery of Nova Scotia

**STATEMENT OF REMEASUREMENT
GAINS AND LOSSES**

As at March 31

	2014	2013
	\$	\$
Accumulated remeasurement gains (losses), beginning of year	<u>10,457</u>	<u>(36,309)</u>
Unrealized gains attributable to investments	300,439	56,765
Capital gain reclassified to statement of operations	<u>(126,628)</u>	<u>(9,999)</u>
Net remeasurement gains for the year	173,811	46,766
Accumulated remeasurement gains, end of year	<u>184,268</u>	<u>10,457</u>

See accompanying notes

Art Gallery of Nova Scotia

**STATEMENT OF CHANGES IN
NET FINANCIAL ASSETS**

Year ended March 31

	2014	2014	2013
	\$	\$	\$
	[budget]		
Annual surplus	3,515	490,763	182,353
Acquisition of tangible capital assets	—	(964)	—
Amortization of tangible capital assets	18,000	16,980	48,397
(Increase) decrease in other assets	—	(19,174)	7,992
Decrease in prepaid expenses	—	1,823	2,875
	21,515	489,428	241,617
Unrealized gains attributable to investments	—	173,811	46,766
Increase in net financial assets	21,515	663,239	288,383
Net financial assets, beginning of year	2,616,433	2,616,433	2,328,050
Net financial assets, end of year	2,637,948	3,279,672	2,616,433

See accompanying notes

Art Gallery of Nova Scotia

STATEMENT OF CASH FLOWS

Year ended March 31

	2014	2013
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	490,763	182,353
Add item not affecting cash:		
Amortization of tangible capital assets	16,980	48,397
(Increase) decrease in accounts receivable	(6,888)	119,640
(Increase) decrease in inventory for resale	(4,030)	16,200
Increase (decrease) in accounts payable and accrued liabilities	5,232	(95,047)
Decrease in deferred revenue	(54,196)	(177,820)
(Increase) decrease in other assets	(19,174)	7,992
Decrease in prepaid expenses	1,823	2,875
Cash provided by operating activities	<u>430,510</u>	<u>104,590</u>
CAPITAL ACTIVITY		
Cash used to acquire tangible capital assets	(964)	—
Cash used in capital activity	<u>(964)</u>	<u>—</u>
INVESTING ACTIVITY		
Change in investments	(583,997)	(155,510)
Cash used in investing activity	<u>(583,997)</u>	<u>(155,510)</u>
Net change in cash during the year	(154,451)	(50,920)
Cash, beginning of year	546,205	597,125
Cash, end of year	<u>391,754</u>	<u>546,205</u>

See accompanying notes

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

1. NATURE OF THE ORGANIZATION

The Art Gallery of Nova Scotia's ["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 established under the authority of the Art Gallery of Nova Scotia Act. The Gallery is a governmental unit as set out in the consolidated financial statements of the Province and reports to the Legislative Assembly through the Ministry of Communities, Culture and Heritage. As an agency of the Province, the Gallery 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 are prepared by management in accordance with Canadian public sector accounting ["PSA"] standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Cash

Cash consists of bank balances and cash on hand.

Inventory held for resale

Inventory is valued at the lower of historical cost and net realizable value.

Investments

Equity securities are valued at their market values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transaction costs are recognized in the statements of operations and accumulated surplus in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statements of remeasurement gains and losses and are reclassified to the statements of operations and accumulated surplus upon disposal or settlement.

All investment transactions are recorded on a trade date basis.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Tangible capital assets

Tangible capital assets are recorded at cost and depreciated on a straight-line basis at the following annual rates:

Storage vault	30%
Security system	30%
Software	50%
Equipment	30%
Leasehold improvements	25%

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Gallery's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statements of operations and accumulated surplus.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Prepaid expenses

Prepaid expenses include security contracts and information technology fees and are charged to expense over the period expected to benefit from it.

Other assets

Costs directly related to the development of future temporary exhibitions, future special events and special fundraising campaigns are presented as other assets when the Gallery can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over the useful life, which for temporary exhibitions is the period over which the exhibition is held, for future special events is the date of the event and for special fundraising campaigns is the period over which pledges are collected. Such costs are expensed immediately when they are related to advertising or promotion and when there is insufficient evidence that the costs are recoverable.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Revenue recognition

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Revenue from pledges, donations and life memberships is recognized when the cash is received.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized gains and losses, is recorded as revenue in the statements of operations and accumulated surplus. Investment income, which consists of unrealized gains and losses, is recorded in the statements of remeasurement gains and losses.

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

Transfers [revenue from non-exchange transactions] are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all stipulations have been met.

Expenditures

Expenditures are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Measurement uncertainty

The preparation of the financial statements in conformity with Canadian PSA standards requires management to make estimates and assumptions that affect the reporting 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 period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

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 \$11,200 [2013 – \$217,993].

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Contributed goods and services

Volunteers contributed approximately 15,000 hours during 2014 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 their fair value, contributed goods and services are not recognized in the financial statements.

Allocation of expenditures

The costs of each function include the costs of personnel and other expenditures that are directly related to the function. General support and other costs are not allocated.

3. GOVERNMENT ASSISTANCE

During the year, the AGNS received funding from provincial, federal and other agencies as follows:

	2014	2013
	\$	\$
Nova Scotia Department of Tourism, Culture and Heritage – operating grant	2,397,274	2,046,000
Canada Council for the Arts	158,000	160,000
Federal Department of Canadian Heritage	8,500	132,358
Department of Education	50,000	50,000
Arts Nova Scotia	30,000	—
Nova Scotia Department of Communities, Culture & Heritage – ArtSmarts/Gold Exhibition/Operating	—	85,000
	<u>2,643,774</u>	<u>2,473,358</u>

During the year, \$2,563,774 [2013 – \$2,393,358] of the above funding is recognized in operating and programming revenue and \$80,000 [2013 – \$80,000] is recorded in deferred revenue.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

4. INVESTMENTS

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

	2014		2013	
	Cost \$	Market value \$	Cost \$	Market value \$
Common equity	2,190,131	2,544,888	1,368,715	1,509,786
Short-term notes	465	465	64,088	64,088
Bonds and debentures	639,937	645,609	813,733	859,280
	2,830,533	3,190,962	2,246,536	2,433,154

5. TANGIBLE CAPITAL ASSETS

	2014 \$	2013 \$
Storage vault	152,330	152,330
Security system	21,593	20,629
Software	15,330	15,330
Equipment	9,912	9,912
Leasehold improvements	60,019	60,019
	259,184	258,220
Less: accumulated depreciation	213,822	196,842
	45,362	61,378

6. ACCUMULATED SURPLUS

	2014 \$	2013 \$
Accumulated surplus, beginning of year	2,768,240	2,539,121
Annual surplus	490,763	182,353
Unrealized gains attributable to investments	173,811	46,766
Accumulated surplus, end of year	3,432,814	2,768,240

7. ENDOWMENT FUND

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.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

7. ENDOWMENT FUND [Cont'd]

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the Endowment Fund or a portion thereof as determined by the Board of Governors, after a balance of \$500,000 is 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 that are stipulated to go to the Endowment Fund, such as life membership fees; and
- [c] any funds specifically designated by the Board of Governors.

Revenues and expenditures related to the activities of the Endowment Fund are recorded on the statement of operations and accumulated surplus in "other revenue" and "administration" respectively.

	2014	2013
	\$	\$
Endowment revenue	397,799	180,136
Less: endowment administration expenditures	(25,932)	(19,670)
Excess of revenue over expenditures for the year	<u>371,867</u>	<u>160,466</u>
Surplus, beginning of the year	3,313,054	3,161,105
Excess of revenue over expenditures for the year	371,867	160,466
Unrealized gains attributable to investments	173,811	46,766
Contributions to Acquisition Fund	(12,993)	—
Contributions to Gallery Fund	(110,838)	(55,283)
Surplus, end of the year	<u>3,734,901</u>	<u>3,313,054</u>

Included with in the surplus balance noted above are restricted contributions in the amount of \$651,450 [2013 – \$602,357].

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

8. ACQUISITION FUND

The purpose of the AGNS Acquisition Fund is to acquire, by gift or purchase, works of art for the Provincial Collection and to cover costs associated with acquiring these works.

Revenues related to acquisition activities are recorded on the statements of operations and accumulated surplus in other revenue. Expenditures related to acquisition activities are recorded on the statement of operations and accumulated surplus in administration and acquisitions.

	2014	2013
	\$	\$
Acquisition revenue	128,909	266,532
Less: administration expenditures	(132,087)	(86,730)
Less: acquisitions	(11,200)	(217,993)
Deficiency of revenue over expenditures for the year	(14,378)	(38,191)
Surplus, beginning of the year	81,573	119,764
Deficiency of revenue over expenditures for the year	(14,378)	(38,191)
Contributions from Endowment Fund	12,993	—
Surplus, end of the year	80,188	81,573

9. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the AGNS Board of Governors.

10. FINANCIAL INSTRUMENTS

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. Financial assets measured at amortized cost include accounts receivable and investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Risk management

The AGNS is exposed to various risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the AGNS's exposure to these risks.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

10. FINANCIAL INSTRUMENTS [Cont'd]

Credit risk

The AGNS is an agency of the Province of Nova Scotia that is subject to credit risk through its accounts receivable, which consist primarily of revenue from its members and donors who operate in various industries. An appropriate allowance is established for doubtful accounts based on the factors surrounding the credit risk of specific government or members, historical trends and other information.

Liquidity risk

Liquidity risk is the risk that the AGNS will encounter difficulty in meeting obligations associated with financial liabilities. The AGNS is exposed to this risk mainly in respect to its accounts payable and accrued liabilities. Given the AGNS's currently available liquid resources, from both financial assets and on-going operations, as compared to its contractual obligations, management assesses the AGNS's liquidity risk to be low.

Market, foreign currency and interest rate price risks

The AGNS is subject to market, foreign currency and interest rate price risks 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.

Capital management

In managing capital, the AGNS focuses on liquid resources available for operations. The AGNS's objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2014, the AGNS has met its objective of having sufficient liquid resources to meet its current obligations.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year financial statement presentation.

SCHEDULE OF REVENUE

Year ended March 31

	2014	2013
	\$	\$
Operating		
Nova Scotia Department of Tourism, Culture and Heritage – operating grant <i>[note 3]</i>	2,317,274	2,046,000
Nova Scotia Department of Tourism, Culture and Heritage capital grant	21,593	—
Special events	154,087	193,285
Admission	16,094	101,261
Sponsorships	110,000	196,265
Rental recoveries	77,000	76,880
Donations	73,613	35,752
Memberships	40,747	49,177
Other	37,886	12,980
	<u>2,848,294</u>	<u>2,711,600</u>
Programming		
Exhibitions	417,600	746,590
Education and outreach	240,893	188,522
	<u>658,493</u>	<u>935,112</u>
Gallery Shop		
Art and craft sales	176,847	196,360
Wholesale	14,442	18,176
	<u>191,289</u>	<u>214,536</u>
Other revenue		
Endowment fund	397,799	180,136
Acquisition fund	128,909	266,532
	<u>526,708</u>	<u>446,668</u>

SCHEDULE OF EXPENDITURES

Year ended March 31

	2014	2013
	\$	\$
Salaries and benefits		
Salaries and employee benefits	<u>2,010,643</u>	<u>1,981,599</u>
Programming		
Exhibitions	320,207	623,315
Education	145,603	100,999
Collection management	130,778	90,735
Other	33,733	39,256
	<u>630,321</u>	<u>854,305</u>
Building operations		
Security	8,426	5,029
Building maintenance and cleaning	82,061	4,137
Insurance	1,017	1,028
	<u>91,504</u>	<u>10,194</u>
Western branch		
Salaries and benefits	100,372	77,831
Building operations	79,745	54,747
Other	87	2,542
Programming	14,198	(1,343)
	<u>194,402</u>	<u>133,777</u>
Administration		
Travel	24,185	49,914
Appraisal fees	53,702	47,904
Telephone	32,729	44,331
Stationery and postage	105,078	49,116
Technology	40,877	30,161
Professional fees	17,700	33,295
Bad debts	26,010	21,185
Equipment rental	17,604	17,967
Trustee fees	20,882	17,008
Bank charges	12,751	15,115
Capital campaign	20,000	—
Miscellaneous	—	9,773
Memberships	21,726	9,320
Designated gallery expenses	5,000	2,500
	<u>398,244</u>	<u>347,589</u>
Communications and marketing		
Development/public relations	110,124	284,845
Special events	72,116	59,591
	<u>182,240</u>	<u>344,436</u>