

Financial Statements of

**ART GALLERY OF
GREATER VICTORIA**

Year ended March 31, 2018



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Members of the Art Gallery of Greater Victoria

Report on the Financial Statements

We have audited the accompanying financial statements of the Art Gallery of Greater Victoria which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes, comprising 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 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.

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 an 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 our 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, we 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Art Gallery of Greater Victoria as at March 31, 2018, 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
June 4, 2018

ART GALLERY OF GREATER VICTORIA

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating Fund	Restricted Funds	Total 2018	Total 2017
Assets				
Current assets:				
Cash and cash equivalents	\$ 374,822	\$ 329,046	\$ 703,868	\$ 331,438
Receivables	44,428	6,043,638	6,088,066	448,059
Inventory	72,734	-	72,734	60,358
Prepays	8,020	-	8,020	50,922
Interfund balances	163,289	(163,289)	-	-
	663,293	6,209,395	6,872,688	890,777
Investments (note 2)	-	2,670,000	2,670,000	2,670,000
Capital assets (note 3)	-	4,307,633	4,307,633	4,026,990
Objects of art and library books (note 4)	-	1	1	1
	\$ 663,293	\$ 13,187,029	\$ 13,850,322	\$ 7,587,768

Liabilities

Current liabilities:				
Demand loan (note 6)	\$ -	\$ 550,000	\$ 550,000	\$ 550,000
Payables and accruals	244,657	7,350	252,007	415,262
Deferred contributions (note 7)	361,803	-	361,803	530,411
	606,460	557,350	1,163,810	1,495,673


Fund Balances

Invested in capital assets	-	2,452,782	2,452,782	2,439,714
Externally restricted	-	9,880,245	9,880,245	3,294,163
Internally restricted	-	296,652	296,652	294,978
Unrestricted	56,833	-	56,833	63,240
	56,833	12,629,679	12,686,512	6,092,095
	\$ 663,293	\$ 13,187,029	\$ 13,850,322	\$ 7,587,768

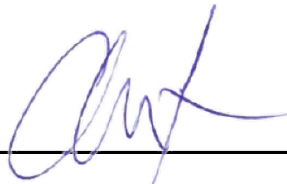
See accompanying notes to financial statements.

Commitments (note 11)

On behalf of the Board:



 Director



 Director

ART GALLERY OF GREATER VICTORIA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund		Restricted Funds		Total	Total
	2018	2017	2018	2017	2018	2017
Revenue:						
Admissions	\$ 115,549	\$ 110,584	\$ -	\$ -	\$ 115,549	\$ 110,584
AGGV Foundation (note 8)	174,800	295,000	81,000	73,000	255,800	368,000
Bequests	2,525	65,678	-	-	2,525	65,678
British Columbia Gaming Commission	100,000	100,060	-	-	100,000	100,060
Donations, fundraising and memberships	701,315	722,729	624,311	441,295	1,325,626	1,164,024
Grants (note 9)	1,222,217	977,325	6,080,010	466,373	7,302,227	1,443,698
Other income	68,467	89,650	-	19,635	68,467	109,285
Retail services	364,560	297,152	-	-	364,560	297,152
	<u>2,749,433</u>	<u>2,658,178</u>	<u>6,785,321</u>	<u>1,000,303</u>	<u>9,534,754</u>	<u>3,658,481</u>
Expenses:						
Administration	586,920	539,818	21,165	51,102	608,085	590,920
Advancement and fundraising	253,610	256,149	90,544	167,470	344,154	423,619
Amortization	-	-	66,940	63,284	66,940	63,284
Art acquisitions (note 4)	-	-	3,781	74,711	3,781	74,711
Buildings and grounds	227,563	216,354	-	3,980	227,563	220,334
Collections management	184,548	184,612	-	-	184,548	184,612
Costs of goods sold	200,909	165,345	-	-	200,909	165,345
Curatorial	746,466	825,157	2,067	5,990	748,533	831,147
Donations to AGGV Foundation (note 8)	80,000	-	-	-	80,000	-
Public relations	233,379	257,740	-	-	233,379	257,740
Retail services	124,710	108,162	-	-	124,710	108,162
Visitor services	117,735	124,657	-	-	117,735	124,657
	<u>2,755,840</u>	<u>2,677,994</u>	<u>184,497</u>	<u>366,537</u>	<u>2,940,337</u>	<u>3,044,531</u>
Excess (deficiency) of revenue over expenses	(6,407)	(19,816)	6,600,824	633,766	6,594,417	613,950
Fund balances, beginning of year	63,240	83,056	6,028,855	5,395,089	6,092,095	5,478,145
Fund balances, end of year	\$ 56,833	\$ 63,240	\$ 12,629,679	\$ 6,028,855	\$ 12,686,512	\$ 6,092,095

See accompanying notes to financial statements.

ART GALLERY OF GREATER VICTORIA

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund		Restricted Funds		Total	Total
	2018	2017	2018	2017	2018	2017
Sources of cash from operating activities:						
Self-generated funds (note 14)	\$ 1,174,687	\$ 1,262,185	\$ 624,308	\$ 441,295	\$ 1,798,995	\$ 1,703,480
AGGV Foundation	174,800	215,000	81,000	73,000	255,800	288,000
Bequests	2,525	65,678	-	-	2,525	65,678
British Columbia Gaming Commission	100,000	100,060	-	-	100,000	100,060
Grants	1,217,517	976,325	351,301	151,445	1,568,818	1,127,770
	2,669,529	2,619,248	1,056,609	665,740	3,726,138	3,284,988
Uses of cash for operating activities:						
Payment of expenses	2,689,990	2,720,930	110,405	205,084	2,800,395	2,926,014
Purchase of objects of art and library books	-	-	3,781	74,711	3,781	74,711
	2,689,990	2,720,930	114,186	279,795	2,804,176	3,000,725
Increase (decrease) in cash from operating activities	(20,461)	(101,682)	942,423	385,945	921,962	284,263
Sources of cash from investing activities:						
Distributions and withdrawals from investments held at the Victoria Foundation	-	213,268	-	220,503	-	433,771
Uses of cash for investing activities:						
Additions to capital assets	-	-	549,532	446,787	549,532	446,787
Increase (decrease) in cash from investing activities	-	213,268	(549,532)	(226,284)	(549,532)	(13,016)
Net increase (decrease) in cash and cash equivalents	(20,461)	111,586	392,891	159,661	372,430	271,247
Cash and cash equivalents (bank indebtedness), beginning of year	259,167	164,927	72,271	(104,736)	331,438	60,191
Interfund transfers	136,116	(17,346)	(136,116)	17,346	-	-
Cash and cash equivalents, end of year	\$ 374,822	\$ 259,167	\$ 329,046	\$ 72,271	\$ 703,868	\$ 331,438

See accompanying notes to financial statements.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

Art Gallery of Greater Victoria (the “Society”) has the following mission statement: “The Art Gallery of Greater Victoria is a public art gallery committed to the celebration of art. With vision, leadership and scholarship, we will engage and inspire diverse audiences through exhibitions, interpretation, and stewardship of the collection”.

The Society is incorporated under the Societies Act of British Columbia and its principal activities are the operation of an art gallery and related services. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society successfully transitioned to the new act on July 14, 2017. Art Gallery of Greater Victoria is a charitable organization registered under the Income Tax Act and as such is exempt from income taxes and able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements of the Society are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Fund accounting:

The Art Gallery of Greater Victoria follows the restricted fund method of accounting for contributions. The Society records its activities in the following funds:

The Operating Fund accounts for the organization’s program delivery and transactions related to the maintenance of the facilities and general operations of the Gallery. This fund reports unrestricted and restricted operating contributions.

The Restricted Funds include the following:

Capital Fund which includes the transactions relating to land, buildings and equipment.

Externally Restricted Fund which includes funds received from individual and corporate donations and government grants that are designated for art acquisitions, capital projects and the care and maintenance of the collection and facility.

Internally Restricted Fund which includes funds restricted by direction of the Society and used for art acquisitions, capital projects and the care and maintenance of the collection and facility.

(b) Revenue recognition:

Operating grant revenue is recognized in the period for which the grant is awarded. Accordingly, operating grant revenue awarded for periods subsequent to the current year is deferred to the next fiscal year.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue on retail sales, admissions and membership is recognized at the point of sale when the customer receives and pays for the goods or service.

(c) Capital assets:

Rates and bases applied to write off the cost less estimated salvage value of capital assets over their estimated useful lives are as follows:

Building improvements	20 years, straight-line
Furniture, fixtures and equipment	5 years, straight-line
Computer equipment	3 years, straight-line
Computer software	2 years, straight-line

There is no amortization of the cost of building improvements or other capital projects that are substantially incomplete and not ready for their intended purpose at year end.

(d) Financial instruments:

The Society's financial instruments consist of cash and cash equivalents, receivables, investments, bank indebtedness, demand loan and payables and accruals.

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value. The Society has not elected to carry any such financial instruments at fair value.

(e) Inventory:

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

(f) Art and library books:

The Society holds a collection of works of art for the perpetual benefit of current and future generations. The collection is shown as an asset at a nominal value of \$1 due to the practical difficulties of determining a meaningful value for these assets. Works of art purchased for the collection of the Society are recorded as an expense in the year of acquisition. Works of art donated to the Society are not recorded in the books of account.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Contributed goods and services:

The Society records donated materials, services and facilities in those cases where:

- the Society controls the way they are used;
- there is a measurable basis for arriving at fair value;
- the services are essential services, which would normally be purchased and paid for if not donated; and
- The value of the donated materials, services or facilities is a minimum of \$3,000.

Donations in kind of \$15,610 were recorded in 2018 (2017 - \$11,970). Part of the activities of the Society is carried out by volunteers. The value of this contributed time is not reflected in these financial statements.

(h) Impairment of long-lived assets:

The Society regularly reviews the carrying value of long-lived assets and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Society may be required to record impairment charges for these assets.

(i) Use of estimates:

In preparing the Society'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. The estimates and assumptions made include, among other things, the estimated useful life of capital assets and the collectability of receivables. Actual results could differ from these estimates.

2. Investments:

	2018	2017
Goldman's Incorporated Class C shares, at cost	\$ 2,670,000	\$ 2,670,000

The Class C shares of Goldman's Incorporated were donated to the Society in December 2013 and were initially valued at fair value based on an independent valuation report on the shares prepared at that time. Since the shares are not quoted in an active market they are now measured at cost.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,172,745	\$ -	\$ 2,172,745	\$ 2,172,745
Building improvements	1,062,985	583,265	479,720	434,877
Capital renewal project	1,605,113	-	1,605,113	1,386,086
Furniture, fixtures and equipment	483,874	475,479	8,395	12,157
Computer equipment	278,760	237,100	41,660	18,480
Computer software	84,545	84,545	-	2,645
	\$ 5,688,022	\$ 1,380,389	\$ 4,307,633	\$ 4,026,990

During the year capital asset purchases of \$347,584 (2017 - \$613,672) were made. The entire cost of the capital renewal project is not being amortized because the project remains under development as at March 31, 2018.

4. Objects of art and library books:

The Society has an extensive collection of visual arts, particularly Asian and Canadian art. The Society's collection includes some 20,000 works of art.

The Society acquires works of art by purchase, donation and bequest. Acquisitions in the year are as follows:

	2018	2017
Purchase - Restricted funds	\$ 3,781	\$ 74,711
Donations and bequests, at estimated fair market value	501,823	250,624
	\$ 505,604	\$ 325,335

5. Bank indebtedness:

The Society maintains two lines of credit with the Bank of Montreal. The operating line of credit, bearing interest at bank prime, interest only monthly payments, authorized to a maximum of \$100,000, and the restricted line of credit, bearing interest at bank prime, interest only payments, authorized to a maximum of \$300,000, are secured by a general security agreement and a pledge of duplicate certificate of title over 1040 Moss Street.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

6. Demand loan:

The Society maintains a demand loan with the Bank of Montreal. The demand loan, bearing interest at bank prime plus 0.75%, interest only monthly payments, authorized to a maximum of \$550,000, is to be used to assist with expenses relating to the renewal project and is secured by a general security agreement and a pledge of duplicate certificate of title over 1040 Moss Street.

On April 16, 2018 the Society repaid its outstanding demand loan in the amount of \$550,000 with funds restricted for the capital renewal project.

7. Deferred contributions:

Changes in the deferred contributions balance are as follows:

	2018	2017
Balance, beginning of year	\$ 530,411	\$ 382,442
Contributions received:		
Grants	7,221,527	1,518,698
Other	81,499	166,012
	7,303,026	1,684,710
Recognition of contributions:		
Grants (note 9)	7,302,227	1,443,698
Other	169,407	93,043
	7,471,634	1,536,741
Balance, end of year	\$ 361,803	\$ 530,411

8. Art Gallery of Greater Victoria Foundation:

The Art Gallery of Greater Victoria Foundation (the "Foundation") is incorporated under the Societies Act of British Columbia and is a charitable organization registered under the Income Tax Act and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. Its purpose is to build and manage donations and bequests as endowment funds, art acquisition funds, programming funds, or capital funds, based on the wishes of the donors or the decision of the Directors. The annual income is used for the benefit of the Society in accordance with the wishes of the donors.

The Foundation is controlled by the Society as, of the Foundation's eight Board members, four comprise of the President, Treasurer, Director/Chief Executive Officer, and Director of Finance and Administration of the Society, and the four remaining are appointed by the Society's Board. The Foundation has not been consolidated in the Society's financial statements.

Included in expenses and payables is \$80,000 (2017 - nil) due to Art Gallery of Greater Victoria Foundation.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

8. Art Gallery of Greater Victoria Foundation (continued):

The summarized financial position and operating results as at and for the year ended March 31, 2018, the latest fiscal year-end of the Foundation are as follows:

	2018	2017
Financial position:		
Total assets	\$ 7,122,559	\$ 7,038,633
Total liabilities	4,500	4,500
Fund balances	\$ 7,118,059	\$ 7,034,133
Results of operations:		
Revenue	\$ 374,083	\$ 393,677
Expenses	302,071	412,182
Unrealized gain on investments held	11,914	524,123
Excess of revenue over expenses	\$ 83,926	\$ 505,618
Cash flows:		
Operating activities	\$ (260,888)	\$ (292,961)
Investing activities	184,682	334,723
Net increase (decrease) in cash and cash equivalents	\$ (76,206)	\$ 41,762

The Society had the following transactions with the Foundation:

	2018	2017
Revenue received from the Foundation's endowment funds:		
Restricted:		
Holmes Sisters, Gladys, Doris and Marjorie Fund	\$ 6,993	\$ 6,315
Mortimer Lamb Fund	9,190	8,175
Myfanwy Pavelic Fund	1,674	1,511
George and Lola Kidd Decorative Arts Fund	19,175	17,263
George and Lola Kidd B.C. Arts Fund	17,193	15,477
Audain Curator of First Nations Art Fund	26,625	24,122
Asian Art Fund	150	137
	\$ 81,000	\$ 73,000
Unrestricted:		
Gwendolyn Scott Fund	\$ 1,837	\$ 2,693
Richard and Constance Glover Fund	6,961	10,101
Sara Spencer Fund	109,202	104,266
Rosita Tovell Programming Fund	44,000	-
Other general funds	12,800	177,940
	\$ 174,800	\$ 295,000

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

9. Grants:

	2018	2017
Operating Fund:		
B.C. Arts Council:		
Operating Assistance	\$ 275,000	\$ 275,000
Canada Council:		
Operating Assistance	325,000	162,000
Project	163,700	75,000
Canadian Museums Association -		
Young Canada Works in Heritage Organizations	6,882	6,593
Service Canada - Canada Summer Jobs	4,205	7,836
Capital Regional District	443,430	440,500
Local school districts	4,000	4,000
U.S. Mission Canada Public Affairs	-	6,396
	<u>1,222,217</u>	<u>977,325</u>
Restricted Funds:		
BC Museums Association: BC Canada 150	80,010	-
Province of British Columbia	6,000,000	-
Canadian Heritage - Canada Cultural Spaces Fund	-	436,373
Canada Council – Visual Arts – Acquisition assistance	-	30,000
	<u>6,080,010</u>	<u>466,373</u>
	<u>\$ 7,302,227</u>	<u>\$ 1,443,698</u>

10. Employee pension plan:

The Society and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee plan. The board of trustees of the British Columbia Pension Corporation, representing plan members and employers, is responsible for overseeing the management of the Plan including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit plan.

Defined contribution plan accounting is applied to this benefit plan. As such, the cost of these employee future benefits is recognized as an expense in the year that contributions are paid.

The risks and rewards associated with the Plan's unfunded liability or surplus are shared between the employers and the Plan's members and may be reflected in their future contributions. During the year, the Society contributed \$89,492 (2017 - \$93,917) to the Plan on behalf of employees. Based on the most recent actuarial valuation as of December 2015, the Municipal Pension Plan had a funding surplus for basic pension benefits. The next valuation of the Plan will be December 2018. Portions of any surplus or deficiency are not attributed to individual employers.

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

11. Commitments:

(a) Operating leases:

The Society has entered into agreements to lease office equipment for various periods until September 2023. Minimum rent payable for equipment in aggregate is as follows:

2019	\$	6,220
2020		6,220
2021		6,220
2022		6,220
2023		4,108
	\$	28,988

(b) Capital renewal project:

The Society has total capital renewal project commitments with a contractor of \$345,500 for project start-up, construction documents, LEED equivalency and construction procurement, of which \$284,647 had been spent as at March 31, 2018.

12. Remuneration of directors, employees and contractors:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000.

For the fiscal year ending March 31, 2018, the Society paid total remuneration of \$194,965 to 2 employees, each of whom received total annual remuneration of \$75,000 or greater. No remuneration was paid to any Director and no remuneration of \$75,000 or greater was paid to any contractor.

13. Victoria Foundation – B.C. Arts Renaissance Endowment Fund:

The Society is the income beneficiary of the Art Gallery of Greater Victoria B.C. Arts Renaissance Endowment Fund established in December 2005 by the Victoria Foundation.

Capital contributions by anonymous donors to this fund total \$25,100, and have been supplemented by \$22,100 of contributions by the Society flowed through from the B.C. Arts Renaissance Fund at the Vancouver Foundation. The capital of the Endowment Fund remains the property of the Victoria Foundation. The fair market value of the Endowment Fund as of March 31, 2018 is \$62,290 (2017 - \$62,386).

ART GALLERY OF GREATER VICTORIA

Notes to Financial Statements

Year ended March 31, 2018

14. Self-generated funds:

Self-generated funds include admissions, donations, fundraising and memberships, retail services and other income.

15. Risk management:

In the normal course of business, the Society is exposed to liquidity risk. The Society's primary risk management objective is to protect earnings and cash flow in order to support its operations. Risks are managed within limits ultimately established by the Society's Board of Directors and implemented by management. The Society manages liquidity risk by having access to a line of credit.

The Society is exposed to interest rate risk due to the variable rate on its demand loan and lines of credit.

It is management's opinion that the Society is not exposed to significant currency or credit risk arising from its financial instruments.