

Financial Statements

Art Gallery of Nova Scotia
March 31, 2009

ART GALLERY OF NOVA SCOTIA
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MARCH 31, 2009

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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, 2009
Combined Statement of Revenue, Expenditures and Surplus
(Deficit) for the year ended March 31, 2009 |
| Gallery Fund | - Balance Sheet as at March 31, 2009
- Statement of Revenue, Expenditures and Deficit
for the year ended March 31, 2009 |
| Endowment Fund | - Balance Sheet as at March 31, 2009
- Statement of Revenue, Expenditures and Surplus
for the year ended March 31, 2009 |
| Acquisition Fund | - Balance Sheet as at March 31, 2009
- Statement of Revenue, Expenditures and Deficit
for the year ended March 31, 2009 |

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, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 15, 2009

Ernst & Young LLP

Chartered Accountants

Art Gallery of Nova Scotia

COMBINED BALANCE SHEET

As at March 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash	82,661	186,403
Accounts receivable	176,518	207,275
Inventory	160,223	152,690
Prepaid expenses	18,900	138,313
Total current assets	438,302	684,681
Investments <i>[notes 3 and 6]</i>	1,676,821	2,168,957
Capital assets <i>[note 7]</i>	149,598	—
	2,264,721	2,853,638
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	1,009,504	567,359
Deferred revenue	284,878	130,331
Total current liabilities	1,294,382	697,690
Surplus		
Deficit - Gallery Fund	(794,263)	(117,508)
Surplus - Endowment Fund <i>[note 5]</i>	1,791,099	2,281,835
Deficit - Acquisition Fund	(26,497)	(8,379)
Total surplus	970,339	2,155,948
	2,264,721	2,853,638

Contingencies *[note 8]*

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 2009	Total 2008
	\$	\$	\$	\$	\$
Revenue					
Operating	2,212,603	—	—	2,212,603	2,279,676
Programming	1,068,760	—	—	1,068,760	936,814
Gallery Shop (net)	14,972	—	—	14,972	48,570
Product Development (net)	4,270	—	—	4,270	13,499
Other revenue	—	176,557	95,996	272,553	719,462
	3,300,605	176,557	95,996	3,573,158	3,998,021
Expenditures					
Salaries and benefits	1,517,950	—	—	1,517,950	1,178,410
Administration and building operations	876,165	147,628	56,170	1,079,963	1,091,953
Programming	1,274,730	—	—	1,274,730	1,110,890
Communications and marketing	171,065	—	—	171,065	125,563
Western branch	212,450	—	—	212,450	188,094
Acquisitions	—	—	57,944	57,944	312,714
	4,052,360	147,628	114,114	4,314,102	4,007,624
(Deficiency) excess of revenue over expenditures for the year	(751,755)	28,929	(18,118)	(740,944)	(9,603)
(Deficit) surplus, beginning of year	(117,508)	2,281,835	(8,379)	2,155,948	1,868,625
Unrealized loss	—	(445,358)	—	(445,358)	(314,519)
Unrealized gain	—	22,423	—	22,423	—
Realized gain	—	(21,730)	—	(21,730)	—
Opening adjustment regarding change in accounting policy [note 3]	—	—	—	—	562,965
Restricted donations	—	—	—	—	48,480
Interfund transfers	75,000	(75,000)	—	—	—
(Deficit) surplus, end of year	(794,263)	1,791,099	(26,497)	970,339	2,155,948

See accompanying notes

Art Gallery of Nova Scotia
Gallery Fund

BALANCE SHEET

As at March 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash	77,097	55,210
Accounts receivable	164,777	170,535
Due from Endowment Fund	24,848	50,590
Due from Acquisition Fund	43,944	8,150
Inventory	160,223	152,690
Prepaid expenses	18,900	138,313
Total current assets	489,789	575,488
Capital assets	149,598	—
	639,387	575,488
LIABILITIES AND DEFICIT		
Current		
Accounts payable and accrued liabilities	996,034	409,927
Deferred revenue	284,878	130,331
Total current liabilities	1,280,912	540,258
Due to Endowment Fund	152,738	152,738
	1,433,650	692,996
Deficit	(794,263)	(117,508)
	639,387	575,488

See accompanying notes

Art Gallery of Nova Scotia
Gallery Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND DEFICIT**

Year ended March 31

	2009	2008
	\$	\$
Operating revenue		
Province of Nova Scotia - operating grant <i>[note 4]</i>	1,864,000	1,835,872
Admissions	107,605	191,007
Memberships	71,408	88,473
Donations	74,172	78,846
Rental recoveries	87,260	83,738
Other	8,158	1,740
	2,212,603	2,279,676
Programming revenue		
Exhibitions	850,725	623,631
Education and outreach	179,112	313,183
Special events	38,923	—
	1,068,760	936,814
	3,281,363	3,216,490
Expenditures <i>[Schedule 1]</i>		
Salaries and benefits	1,517,950	1,178,410
Administration and building operations	876,165	885,003
Programming	1,274,730	1,110,890
Communications and marketing	171,065	125,563
Western branch	212,450	188,094
	4,052,360	3,487,960
Excess of operating expenditures over revenue before the following	(770,997)	(271,470)
Excess of gross profit over expenditures		
Gallery Shop <i>[Schedule 2]</i>	14,972	48,570
Product Development <i>[Schedule 3]</i>	4,270	13,499
Excess of expenditures over revenue for the year	(751,755)	(209,401)
Deficit, beginning of year	(117,508)	(8,107)
Contribution from Endowment Fund	75,000	100,000
Deficit, end of year	(794,263)	(117,508)

See accompanying notes

Art Gallery of Nova Scotia
Endowment Fund

BALANCE SHEET

As at March 31

	2009	2008
	\$	\$
ASSETS [note 5]		
Current		
Cash	4,391	45,502
Accounts receivable	1,247	6,168
Due from Acquisition Fund	13,750	8,750
Total current assets	19,388	60,420
Investments [note 6]	1,676,821	2,168,957
Due from Gallery Fund	152,738	152,738
	1,848,947	2,382,115
LIABILITIES AND SURPLUS		
Current		
Accounts payable	—	49,690
Due to Gallery Fund	24,848	50,590
Due to Acquisition Fund	33,000	—
Total current liabilities	57,848	100,280
Surplus		
Restricted	479,315	479,315
Unrestricted	1,311,784	1,802,520
Total surplus	1,791,099	2,281,835
	1,848,947	2,382,115

See accompanying notes

Art Gallery of Nova Scotia
Endowment Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND SURPLUS**

Year ended March 31

	2009	2008
	\$	\$
Revenue [note 5]		
Investment income	169,714	273,006
Donations	6,843	200
Life members' fees	—	10,325
	<u>176,557</u>	<u>283,531</u>
Expenditures [note 5]		
Trustee fees	19,303	23,335
Donor restricted projects	124,823	29,291
Professional fees	—	46,276
Promotion and public relations	3,502	10,241
	<u>147,628</u>	<u>109,143</u>
Excess of revenue over expenditures for the year	28,929	174,388
Surplus, beginning of year	2,281,835	1,910,521
Unrealized loss	(444,665)	(314,519)
Opening adjustment [note 3]	—	562,965
Restricted donations	—	48,480
Contribution to Gallery Fund	(75,000)	(100,000)
Surplus, end of year	<u>1,791,099</u>	<u>2,281,835</u>
Less: restricted surplus	(479,315)	(479,315)
Unrestricted surplus, end of year	<u>1,311,784</u>	<u>1,802,520</u>

See accompanying notes

Art Gallery of Nova Scotia
Acquisition Fund

BALANCE SHEET

As at March 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash	1,172	85,691
Accounts receivable	10,494	30,572
Due from Endowment Fund	33,000	—
Total current assets	44,666	116,263
LIABILITIES AND DEFICIT		
Current		
Accounts payable	13,469	107,742
Due to Endowment Fund	13,750	8,750
Due to Gallery Fund	43,944	8,150
Total current liabilities	71,163	124,642
Deficit	(26,497)	(8,379)
	44,666	116,263

See accompanying notes

Art Gallery of Nova Scotia
Acquisition Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND DEFICIT**

Year ended March 31

	2009	2008
	\$	\$
Revenue		
Donations		
Art Sales and Rental Society	12,500	42,500
Other	27,532	237,856
Friends of the Gallery	4,875	5,850
Grants <i>[note 4]</i>	12,500	130,142
Endowment Fund	38,589	19,583
	<u>95,996</u>	<u>435,931</u>
Expenditures		
Acquisitions	57,944	312,714
Appraisal and professional fees	39,655	80,429
Shipping	17,684	16,983
Bank charges	28	226
Miscellaneous	(1,197)	169
	<u>114,114</u>	<u>410,521</u>
(Deficiency) excess of revenue over expenditures for the year	(18,118)	25,410
Deficit, beginning of year	(8,379)	(33,789)
Deficit, end of year	<u>(26,497)</u>	<u>(8,379)</u>

See accompanying notes

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

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:

Basis of presentation

The combined balance sheet and combined statement of revenue, expenditures and surplus (deficit) presented herein are those of the Gallery Fund, Endowment Fund and Acquisition Fund and are derived from the records of such Funds after the elimination of intercompany balances and transactions.

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.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

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

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.

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 in the surplus (deficit). When these gains and losses are realized they are removed from the surplus and recorded as revenue for the year.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

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

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.

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 \$57,944 (2008 - \$312,714).

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

3. ADOPTION OF NEW ACCOUNTING POLICIES

a) Changes in Accounting Policies

Capital assets

Commencing April 1, 2008, capital assets purchased by the AGNS are recorded at cost. Capital assets are amortized declining balance at the following rates:

<u>Assets</u>	<u>Rate</u>
Security system	30%
Software	50%
Equipment	30%

Minor equipment is recorded as expenditures in the statement of revenues and expenditures in the year of acquisition. Prior to April 2008, capital assets were recorded as expenditures in the year of acquisition. Management was unable to measure the impact of capitalizing prior period acquisitions and therefore was also unable to calculate the additional depreciation that would have been recorded during those prior periods. Consequently, this change in accounting policy has not been applied retroactively.

Accounting changes

CICA Section 1506, *Accounting Changes*, prescribes the criteria for the accounting treatment of and the disclosure requirements for changes in accounting policies. The AGNS has not had any such changes which impact these financial statements other than as discussed above.

Financial Instruments – Disclosure and Presentation

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

3. ADOPTION OF NEW ACCOUNTING POLICIES (CONT'D)

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.

Effective April 1, 2008, the AGNS adopted CICA 3862, *Financial Instruments – Disclosures* and CICA 3863, *Financial Instruments – Presentation*, which replaced CICA 3855, *Financial Instruments – Recognition and Measurements* and CICA 3861, *Financial Instruments – Disclosure and Presentation*. Section 3862 outlines the disclosure requirements for financial instruments and non-financial derivatives. This guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. Specifically, Section 3862 requires disclosures regarding the significance of financial instruments on the AGNS's financial position. In addition, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. Refer to Note 9 – "Financial Instruments" for the additional disclosures required under these sections.

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.

Capital disclosures

Effective April 1, 2008, the AGNS adopted CICA 1535, *Capital Disclosures*. This new section requires disclosures about the AGNS's objectives, policies and processes for managing capital. These disclosures include a description of what the AGNS manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the AGNS's management of capital, whether the requirements have been complied with, or consequences of non-compliance, and an explanation of how the AGNS is meeting its objectives for managing capital. In addition, quantitative disclosures regarding capital are required. Refer to Note 10 – "Capital Management" for the additional disclosures required under this section.

Goodwill and intangible assets

The new standard CICA 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard was effective for the interim and annual financial statements commencing January 1, 2009. The adoption of this section did not impact the AGNS's financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

3. ADOPTION OF NEW ACCOUNTING POLICIES (CONT'D)

Inventories

Effective April 1, 2008, the AGNS adopted the recommendations of CICA 3031, *Inventories*. The recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on the AGNS's financial statements.

b) Future Accounting Policy Changes

Business combinations

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations*, and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The adoption of these sections is not expected to impact the AGNS's financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

3. ADOPTION OF NEW ACCOUNTING POLICIES (CONT'D)

Financial statement presentation

The CICA has issued revisions to the 4400 and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540, *Cash Flow Statements*, applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing for their adoption.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

4. 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 operating and programming revenue as applicable:

	2009 \$	2008 \$
Gallery Fund		
Nova Scotia Department of Tourism, Culture and Heritage	1,864,000	1,835,872
Canada Council for the Arts	160,000	257,500
Canadian Human Resources Council	—	7,615
Department of Education	55,000	33,000
Nova Scotia Department of Tourism, Culture and Heritage	191,500	30,000
Province of Nova Scotia	—	25,000
Office of African Nova Scotia Affairs	10,000	3,000
Council on African Canadian Education	—	5,000
Town of Yarmouth	—	7,500
	2,280,500	2,204,487
Acquisition Fund		
Canada Council for the Arts	—	60,000
Federal Department of Canadian Heritage	12,500	70,142
	12,500	130,142
	2,293,000	2,334,629

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

5. 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 membership 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.

6. INVESTMENTS

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

	2009		2008	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Endowment Fund				
Common equity	1,092,727	874,085	1,081,575	1,289,468
Short-term notes	6,844	6,844	63,075	63,075
Bonds and debentures	773,469	795,892	775,861	816,414
	1,873,040	1,676,821	1,920,511	2,168,957

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

7. CAPITAL ASSETS

Capital assets consist of the following:

	2009 \$	2008 \$
Security system	143,910	—
Software	8,101	—
Equipment	7,948	—
	159,959	—
Accumulated depreciation	(10,361)	—
	149,598	—

8. 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.

9. FINANCIAL INSTRUMENTS

Fair value

The AGNS's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities. The difference between the carrying values and the fair market values of the financial instruments are not material due to their short-term maturities. Investments are recorded at fair value as disclosed in note 2.

Risk management

The AGNS is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk and credit risk.

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

9. 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 revenues from its members and donors and who operate in various industries. An appropriate allowance is established for doubtful accounts based upon the factors surrounding the credit risk of specific government or members, historical trends and other information.

Liquidity risk

Liquidity risk represents the risk that the AGNS will have difficulty meeting obligations of financial liabilities. The AGNS's financial liabilities are current and as the majority of the assets are liquid in the Gallery Fund, Acquisition Fund and Endowment Fund, the risk of liquidity difficulties is minimal.

Market, foreign currency and interest rate price risks

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.

10. 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 adverse events with 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, 2009, the AGNS has met its objective of having sufficient liquid resources to meet its current obligations.

SCHEDULE OF EXPENDITURES

Year ended March 31

	2009	2008
	\$	\$
Salaries and benefits		
Salaries and employee benefits	1,517,950	1,178,410
Administration		
Stationery and postage	30,897	36,705
Travel	28,827	34,455
Telephone	24,110	28,385
Equipment rental	14,451	19,064
Professional fees	25,144	22,558
Memberships	3,525	7,004
Technology	20,451	28,610
Bank charges	11,173	6,172
Miscellaneous	11,913	10,826
	170,491	193,779
Building operations		
Utilities	233,156	244,059
Security and interpreters	194,630	194,055
Building maintenance and cleaning	130,130	133,366
Climate control	85,862	71,671
Insurance	32,208	36,868
Elevator maintenance	19,327	11,205
Depreciation	10,361	—
	705,674	691,224
Programming		
Exhibitions	986,595	786,292
Education and outreach	246,467	309,186
Collection management	41,668	15,412
	1,274,730	1,110,890
Communications and marketing		
Development/public relations/printing/publications	171,065	125,563
Western branch		
Salaries and benefits	92,158	68,128
Capital costs	86,960	90,306
Programming	26,863	18,418
Travel	6,469	8,192
Other	—	3,050
	212,450	188,094
Total expenditures	4,052,360	3,487,960

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2009	2008
	\$	\$
Revenue		
Art and craft sales	196,015	240,943
Art and craft sales on consignment	55,369	54,493
Books, notes and posters	28,199	48,089
	279,583	343,525
Cost of sales	143,609	170,869
Gross profit	135,974	172,656
Expenditures		
Salaries and benefits	107,578	104,147
Office and administration	13,424	19,939
	121,002	124,086
Excess of gross profit over expenditures for the year	14,972	48,570

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2009	2008
	\$	\$
Revenue	61,074	58,854
Cost of sales	36,753	27,500
Gross profit	24,321	31,354
Expenditures		
Salaries and employee benefits	14,378	12,410
Promotional	1,926	3,411
Office and administration	3,747	1,497
Royalties	—	537
	20,051	17,855
Excess of gross profit over expenditures for the year	4,270	13,499