

Financial Statements

Art Gallery of Nova Scotia
March 31, 2011

ART GALLERY OF NOVA SCOTIA

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MARCH 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements, summary of significant accounting policies and other explanatory information of the **Art Gallery of Nova Scotia** ["AGNS" or the "Gallery"] consisting of the following:

| | |
|----------------------------|--|
| Art Gallery of Nova Scotia | - Combined Balance Sheet as at March 31, 2011 - Combined Statement of Revenue, Expenditures and Surplus (Deficit) for the year ended March 31, 2011 |
| Gallery Fund | - Balance Sheet as at March 31, 2011 - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2011 |
| Endowment Fund | - Balance Sheet as at March 31, 2011 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2011 |
| Acquisition Fund | - Balance Sheet as at March 31, 2011 - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2011 |

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 is sufficient and appropriate to provide a basis for our audit opinion, except as discussed in the following paragraph.

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, excess (deficiency) of revenue over expenditures for the year or surplus (deficit), end of year.

Opinion

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 Gallery as at March 31, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Halifax, Canada
June 15, 2011

Chartered Accountants

Art Gallery of Nova Scotia

COMBINED BALANCE SHEET

As at March 31

| | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 151,329 | 84,595 |
| Accounts receivable | 896,521 | 261,089 |
| Inventory | 107,783 | 122,258 |
| Prepaid expenses | 37,688 | 21,925 |
| Total current assets | 1,193,321 | 489,867 |
| Investments <i>[note 5]</i> | 2,321,303 | 1,533,560 |
| Capital assets, net <i>[note 6]</i> | 87,271 | 108,160 |
| | 3,601,895 | 2,131,587 |
| LIABILITIES AND SURPLUS | | |
| Current | | |
| Accounts payable and accrued liabilities | 720,225 | 540,955 |
| Deferred revenue | 374,296 | 342,248 |
| Total current liabilities | 1,094,521 | 883,203 |
| Surplus (deficit) | | |
| Deficit – Gallery Fund | (754,618) | (808,101) |
| Surplus – Endowment Fund <i>[note 4]</i> | 3,263,350 | 2,083,474 |
| Deficit – Acquisition Fund | (1,358) | (26,989) |
| Total surplus | 2,507,374 | 1,248,384 |
| | 3,601,895 | 2,131,587 |

Contingencies *[note 7]*

See accompanying notes

On behalf of the Board:

Governor



Governor



Art Gallery of Nova Scotia

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

Year ended March 31

| | Gallery Fund | Endowment Fund | Acquisition Fund | Total 2011 | Total 2010 |
|--|-------------------------|---------------------------|-----------------------------|-----------------------|-----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Operating | 2,876,070 | — | — | 2,876,070 | 2,891,138 |
| Programming | 663,870 | — | — | 663,870 | 554,628 |
| Gallery Shop | 176,113 | — | — | 176,113 | 289,073 |
| Other revenue | — | 1,088,952 | 334,777 | 1,423,729 | 145,196 |
| | 3,716,053 | 1,088,952 | 334,777 | 5,139,782 | 3,880,035 |
| Expenditures | | | | | |
| Salaries and benefits | 1,748,076 | — | — | 1,748,076 | 1,530,122 |
| Programming | 587,498 | — | — | 587,498 | 620,631 |
| Building operations | 504,253 | — | — | 504,253 | 555,117 |
| Western branch | 134,463 | — | — | 134,463 | 264,509 |
| Gallery Shop | 214,482 | — | — | 214,482 | 284,049 |
| Administration | 234,597 | 21,162 | 20,185 | 275,944 | 310,060 |
| Communications and marketing | 239,201 | — | — | 239,201 | 192,901 |
| Acquisitions | — | — | 313,152 | 313,152 | 80,703 |
| | 3,662,570 | 21,162 | 333,337 | 4,017,069 | 3,838,092 |
| Excess (deficiency) of revenue over expenditures for the year | | | | | |
| | 53,483 | 1,067,790 | 1,440 | 1,122,713 | 41,943 |
| Surplus (deficit), beginning of year | (808,101) | 2,083,474 | (26,989) | 1,248,384 | 970,339 |
| Unrealized gain | — | 136,277 | — | 136,277 | 208,395 |
| Realized loss | — | — | — | — | 27,707 |
| Interfund transfers | — | (24,191) | 24,191 | — | — |
| Surplus (deficit), end of year | (754,618) | 3,263,350 | (1,358) | 2,507,374 | 1,248,384 |

See accompanying notes

Art Gallery of Nova Scotia
Gallery Fund

BALANCE SHEET

As at March 31

| | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 139,752 | 94,656 |
| Accounts receivable | 182,394 | 202,448 |
| Due from Acquisition Fund | 85,902 | 83,890 |
| Inventory | 107,783 | 122,258 |
| Prepaid expenses | 37,688 | 21,925 |
| Total current assets | 553,519 | 525,177 |
| Capital assets, net <i>[note 6]</i> | 87,271 | 108,160 |
| | 640,790 | 633,337 |
| LIABILITIES AND DEFICIT | | |
| Current | | |
| Accounts payable and accrued liabilities | 446,969 | 530,501 |
| Deferred revenue | 374,296 | 342,248 |
| Total current liabilities | 821,265 | 872,749 |
| Due to Endowment Fund | 574,143 | 568,689 |
| | 1,395,408 | 1,441,438 |
| Deficit | (754,618) | (808,101) |
| | 640,790 | 633,337 |

See accompanying notes

Art Gallery of Nova Scotia
Gallery Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND DEFICIT**

Year ended March 31

| | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| Operating revenue | | |
| Province of Nova Scotia – operating grant <i>[note 3]</i> | 2,029,296 | 2,417,000 |
| Province of Nova Scotia – non-recurring operating recoveries <i>[note 3]</i> | 314,339 | — |
| Special events | 104,223 | 40,493 |
| Admissions | 102,669 | 92,224 |
| Sponsorships | 101,991 | 49,642 |
| Rental recoveries | 73,858 | 96,768 |
| Donations | 58,790 | 102,539 |
| Memberships | 57,535 | 61,707 |
| Other | 33,369 | 30,765 |
| | 2,876,070 | 2,891,138 |
| Programming revenue | | |
| Exhibitions | 372,500 | 412,319 |
| Education and outreach | 291,370 | 142,309 |
| | 663,870 | 554,628 |
| Shop revenue | | |
| Gallery Shop <i>[Schedule 2]</i> | 176,113 | 289,073 |
| Total revenue | 3,716,053 | 3,734,839 |
| Expenditures | | |
| Salaries and benefits <i>[Schedule 1]</i> | 1,748,076 | 1,530,122 |
| Programming <i>[Schedule 1]</i> | 587,498 | 620,631 |
| Building operations <i>[Schedule 1]</i> | 504,253 | 555,117 |
| Western branch <i>[Schedule 1]</i> | 134,463 | 264,509 |
| Administration <i>[Schedule 1]</i> | 234,597 | 231,495 |
| Communications and marketing <i>[Schedule 1]</i> | 239,201 | 192,901 |
| Gallery Shop <i>[Schedule 2]</i> | 214,482 | 284,049 |
| | 3,662,570 | 3,678,824 |
| Excess of revenue over expenditures for the year | 53,483 | 56,015 |
| Deficit, beginning of year | (808,101) | (869,263) |
| Contribution from Endowment Fund | — | 5,147 |
| Deficit, end of year | (754,618) | (808,101) |

See accompanying notes

Art Gallery of Nova Scotia
Endowment Fund

BALANCE SHEET

As at March 31

| | 2011 | 2010 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| ASSETS [note 4] | | |
| Current | | |
| Cash | 155 | — |
| Accounts receivable | 550,625 | 525 |
| Due from Acquisition Fund | — | 13,750 |
| Total current assets | 550,780 | 14,275 |
| Investments [note 5] | 2,321,303 | 1,533,560 |
| Due from Gallery Fund | 574,143 | 568,689 |
| | 3,446,226 | 2,116,524 |
| LIABILITIES AND SURPLUS | | |
| Current | | |
| Bank indebtedness | — | 50 |
| Due to Acquisition Fund | 182,876 | 33,000 |
| Total current liabilities | 182,876 | 33,050 |
| Surplus | | |
| Restricted | 572,726 | 460,566 |
| Unrestricted | 2,690,624 | 1,622,908 |
| Total surplus | 3,263,350 | 2,083,474 |
| | 3,446,226 | 2,116,524 |

See accompanying notes

Art Gallery of Nova Scotia
Endowment Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND SURPLUS**

Year ended March 31

| | 2011 | 2010 |
|---|------------------|---------------|
| | \$ | \$ |
| Revenue <i>[note 4]</i> | | |
| Bequest | 1,015,785 | — |
| Investment income | 62,514 | 31,607 |
| Life members' fees | 7,850 | 12,550 |
| Donations | 2,803 | 5,502 |
| | <u>1,088,952</u> | <u>49,659</u> |
| Expenditures <i>[note 4]</i> | | |
| Trustee fees | 16,001 | 19,425 |
| Donor restricted projects | 5,000 | 5,000 |
| Promotion and public relations | 161 | 140 |
| | <u>21,162</u> | <u>24,565</u> |
| Excess of revenue over expenditures for the year | 1,067,790 | 25,094 |
| Surplus, beginning of year | 2,083,474 | 1,866,099 |
| Unrealized gain | 136,277 | 208,395 |
| Realized loss | — | 27,707 |
| Contribution to Acquisition Fund | (24,191) | (38,674) |
| Contribution to Gallery Fund | — | (5,147) |
| Surplus, end of year | 3,263,350 | 2,083,474 |
| Less: restricted surplus <i>[note 4]</i> | 572,726 | 460,566 |
| Unrestricted surplus, end of year | 2,690,624 | 1,622,908 |

See accompanying notes

Art Gallery of Nova Scotia
Acquisition Fund

BALANCE SHEET

As at March 31

| | 2011 | 2010 |
|--|----------------|-----------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 11,422 | — |
| Accounts receivable | 163,502 | 58,116 |
| Due from Endowment Fund | 182,876 | 33,000 |
| Total current assets | 357,800 | 91,116 |
| LIABILITIES AND DEFICIT | | |
| Current | | |
| Bank indebtedness | — | 10,011 |
| Accounts payable and accrued liabilities | 273,256 | 10,454 |
| Due to Endowment Fund | 69,436 | 13,750 |
| Due to Gallery Fund | 16,466 | 83,890 |
| Total current liabilities | 359,158 | 118,105 |
| Deficit | (1,358) | (26,989) |
| | 357,800 | 91,116 |

See accompanying notes

Art Gallery of Nova Scotia
Acquisition Fund

**STATEMENT OF REVENUE, EXPENDITURES
AND DEFICIT**

Year ended March 31

| | 2011 | 2010 |
|---|----------------|-----------------|
| | \$ | \$ |
| Revenue | | |
| Donations | | |
| Regular | 156,838 | 20,344 |
| Appraisal | 3,108 | 35,731 |
| Art sales and rental society | — | 4,500 |
| Other | 10,196 | 4,261 |
| Bequest | 163,626 | — |
| Grants <i>[note 4]</i> | — | 30,000 |
| Miscellaneous | 1,009 | 701 |
| | <u>334,777</u> | <u>95,537</u> |
| Expenditures | | |
| Acquisitions | 313,152 | 80,703 |
| Appraisal and professional fees | 12,258 | 50,729 |
| Shipping | 7,480 | 3,115 |
| Bank charges | 447 | 156 |
| | <u>333,337</u> | <u>134,703</u> |
| Excess of expenditures over revenue for the year | 1,440 | (39,166) |
| Deficit, beginning of year | (26,989) | (26,497) |
| Contribution from Endowment Fund | 24,191 | 38,674 |
| Deficit, end of year | <u>(1,358)</u> | <u>(26,989)</u> |

See accompanying notes

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

1. PURPOSE 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 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 are 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 interfund 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 are classified into the following three funds:

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 to cover costs associated with acquiring these works.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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 expenditures of future periods are deferred and recognized as revenue in the year during which the related expenditures 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 using the direct costing method.

Investments and investment income

Equity securities are valued at their market values. 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 surplus (deficit). When these gains and losses are realized they are removed from surplus (deficit) and recorded as revenue for the year.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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

Capital assets

Capital assets purchased by the AGNS are recorded at cost. Capital assets are depreciated on a straight-line basis at the following rates:

| | |
|-----------------|-----|
| Storage vault | 30% |
| Security system | 30% |
| Software | 50% |
| Equipment | 30% |

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 the 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 \$313,152 [2010 – \$80,703].

Other income

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

Contributed goods and services

Volunteers contributed approximately 25,000 hours during 2011 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.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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

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 and accompanying notes to 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:

| | 2011 \$ | 2010 \$ |
|--|------------------|------------------|
| Gallery Fund | | |
| Nova Scotia Department of Tourism, Culture and Heritage | 2,059,000 | 2,447,000 |
| Nova Scotia Department of Tourism, Culture and Heritage - non-recurring operating recoveries | 157,169 | — |
| Nova Scotia Department of Transportation Infrastructure Renewal - non-recurring operating recoveries | 157,170 | — |
| Canada Council for the Arts | 160,000 | 165,000 |
| Federal Department of Canadian Heritage | 63,810 | 48,222 |
| Department of Education | 50,000 | 50,000 |
| | <u>2,647,149</u> | <u>2,710,222</u> |
| Acquisition Fund | | |
| Federal Department of Canadian Heritage | 134,224 | — |
| Canada Council for the Arts | — | 30,000 |
| | <u>134,224</u> | <u>30,000</u> |
| | <u>2,781,373</u> | <u>2,740,222</u> |

During the year, \$2,701,373 [2010 – \$2,634,961] of the above funding is recognized in operating and programming revenue and \$80,000 [2010 – \$105,261] is recorded in deferred revenue.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

4. ENDOWMENT FUND

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 which are stipulated to go to the Endowment 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 are charged to the Endowment Fund.

During the year, the AGNS received a bequest from an individual's estate in the amount of \$1,179,411. The entire bequest was recorded as revenue of the Endowment Fund and subsequently \$163,626 was transferred to the Acquisition Fund in order to fund the acquisition of artwork.

5. INVESTMENTS

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

| | 2011 | | 2010 | |
|-----------------------|------------------|-----------------------|------------|-----------------------|
| | Cost \$ | Market value \$ | Cost \$ | Market value \$ |
| Endowment Fund | | | | |
| Common equity | 1,329,886 | 1,476,612 | 936,940 | 948,712 |
| Short-term notes | 660 | 660 | 11,669 | 11,669 |
| Bonds and debentures | 814,601 | 844,031 | 545,068 | 573,179 |
| | 2,145,147 | 2,321,303 | 1,493,677 | 1,533,560 |

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

6. CAPITAL ASSETS

Capital assets consist of the following:

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Storage vault | 134,696 | 122,718 |
| Security system | 20,630 | 20,630 |
| Software | 15,330 | 8,101 |
| Equipment | 7,949 | 7,948 |
| | <u>178,605</u> | <u>159,397</u> |
| Less: accumulated depreciation | 91,334 | 51,237 |
| | <u>87,271</u> | <u>108,160</u> |

7. CONTINGENCIES

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

8. FINANCIAL INSTRUMENTS

Fair value

The AGNS's financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities. The difference between the carrying values and the fair market values of the financial instruments is not material due to their short-term maturities. Investments are recorded at fair value as disclosed in note 2, with additional detail in note 5.

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 credit risk, liquidity risk and market, foreign currency, and interest rate price risks.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

8. 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 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, liquidity risk is not considered significant.

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.

9. 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, 2011, the AGNS has met its objective of having sufficient liquid resources to meet its current obligations.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

SCHEDULE OF EXPENDITURES

Year ended March 31

| | 2011 | 2010 |
|--|----------------|----------------|
| | \$ | \$ |
| Salaries and benefits | | |
| Salaries and employee benefits | 1,748,076 | 1,530,122 |
| Programming | | |
| Exhibitions | 364,772 | 466,396 |
| Education and outreach | 110,907 | 66,181 |
| Collection management | 88,277 | 73,283 |
| Other | 20,144 | 5,434 |
| Vehicles | 3,398 | 9,337 |
| | 587,498 | 620,631 |
| Building operations | | |
| Utilities | 240,512 | 261,735 |
| Building maintenance and cleaning | 179,325 | 153,923 |
| Depreciation | 40,097 | 40,876 |
| Climate control | 16,549 | 17,453 |
| Security and interpreters | 13,597 | 11,317 |
| Elevator maintenance | 13,273 | 18,285 |
| Insurance | 900 | 51,528 |
| | 504,253 | 555,117 |
| Western branch | | |
| Salaries and benefits | 76,675 | 145,093 |
| Building operations | 48,571 | 61,776 |
| Programming | 6,173 | 33,242 |
| Travel | 1,691 | 17,229 |
| Other | 1,353 | 7,169 |
| | 134,463 | 264,509 |
| Administration | | |
| Telephone | 45,662 | 32,284 |
| Miscellaneous | 41,321 | 15,552 |
| Travel | 35,138 | 35,496 |
| Professional fees | 26,741 | 24,996 |
| Stationery and postage | 25,680 | 25,725 |
| Technology | 22,864 | 27,498 |
| Equipment rental | 18,553 | 14,836 |
| Bank charges | 11,972 | 9,343 |
| Bad debts | 8,203 | 28,830 |
| Memberships | 3,724 | 5,742 |
| Staff relocation | (5,261) | 11,193 |
| | 234,597 | 231,495 |
| Communications and marketing | | |
| Development/public relations/printing/publications | 195,344 | 139,105 |
| Special events | 43,857 | 53,796 |
| | 239,201 | 192,901 |

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

| | 2011 | 2010 |
|---|-----------------|----------------|
| | \$ | \$ |
| Revenue | | |
| Art and craft sales | 135,570 | 216,239 |
| Art and craft sales on consignment | 28,648 | 44,646 |
| Books, notes and posters | 11,895 | 28,188 |
| | <u>176,113</u> | <u>289,073</u> |
| Cost of sales | 88,438 | 154,696 |
| Gross profit | <u>87,675</u> | <u>134,377</u> |
| Expenditures | | |
| Salaries and benefits | 102,976 | 113,608 |
| Office and administration | 23,068 | 15,745 |
| | <u>126,044</u> | <u>129,353</u> |
| Excess (deficiency) of gross profit over expenditures for the year | <u>(38,369)</u> | <u>5,024</u> |