
Financial statements of Art Gallery of Burlington

December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Art Gallery of Burlington

Opinion

We have audited the financial statements of Art Gallery of Burlington (the "Art Gallery"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Art Gallery as at December 31, 2019, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Art Gallery in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Art Gallery's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Art Gallery or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Art Gallery's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Art Gallery's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Art Gallery's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Art Gallery to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The financial statements of the Art Gallery as at and for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 16, 2019.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 18, 2020

Art Gallery of Burlington
Statement of financial position
As at December 31, 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash		461,627	98,962
Internally restricted cash	4	77,154	74,587
Restricted cash – John Willard Residency Fund		5,463	8,417
Restricted cash – Acquisition Fund		5,891	6,263
Accounts receivable	6	50,456	94,715
HST receivable		—	1,735
Inventories		152,907	167,759
Prepaid expenses and deposits		48,405	29,297
		801,903	481,735
Burlington Foundation investments		110,805	104,771
Restricted cash – Endowments		37,436	37,376
Capital assets	8	34,835	48,922
Permanent Collection	7	1	1
		984,980	672,805
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	165,976	159,225
HST payable		9,069	—
Due to City of Burlington	10	422,934	423,937
Deferred revenue	14	96,389	75,106
		694,368	658,268
Due to City of Burlington	10	344,257	—
		1,038,625	658,268
Net assets (deficit)			
Net assets invested in capital assets		34,835	48,922
Internally restricted		199,313	194,038
Unrestricted		(325,229)	(265,799)
Endowment		37,436	37,376
		(53,645)	14,537
		984,980	672,805

The accompanying notes are an integral part of these financial statements

On behalf of the Board

_____, Board Chair

_____, Treasurer

Art Gallery of Burlington
Statement of operations
Year ended December 31, 2019

	Notes	2019	2018
		\$	\$
Revenue	13		
Services, programs, and shop sales		1,040,462	978,664
Private sector		249,155	587,665
Public sector		1,123,871	1,117,120
Investment income		14,530	—
		2,428,018	2,683,449
Expenses			
Artistic		777,161	727,765
Facility operating		1,098,326	1,304,177
Marketing and communications		190,919	81,892
Fundraising		37,730	168,691
Administration		398,098	342,724
		2,502,234	2,625,249
(Deficiency) excess of revenue over expenses before the undernoted		(74,216)	58,200
Unrealized gain (loss) on Burlington Foundation investments		6,034	(2,668)
(Deficiency) excess of revenue over expenses		(68,182)	55,532

The accompanying notes are an integral part of these financial statements

Art Gallery of Burlington**Statement of change in net assets (deficit)**

Year ended December 31, 2019

	Invested in capital assets	Endowments	Internally restricted	Unrestricted	Total 2019	Total 2018
	\$	\$	\$	\$	\$	\$
Net assets (deficit), beginning of the year	48,922	37,376	194,038	(265,799)	14,537	(40,995)
(Deficiency) excess of revenues over expenses	(14,087)	60	5,275	(59,430)	(68,182)	55,532
Net assets (deficit), end of the year	34,835	37,436	199,313	(325,229)	(53,645)	14,537

The accompanying notes are an integral part of these financial statements

Art Gallery of Burlington
Statement of cash flows
Year ended December 31, 2019

	2019	2018
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(68,182)	55,532
Items not involving cash		
Unrealized (gain) loss on Burlington Foundation investments	(6,034)	2,668
Amortization	14,087	7,791
Change in non-cash working capital balances		
Restricted cash - endowments	(60)	—
Accounts receivable	44,259	(48,755)
Inventories	14,852	16,930
Accounts payable and accrued liabilities	6,751	(99,205)
Deferred revenues	21,283	(7,654)
Prepaid expenses and deposits	(19,108)	(11,530)
HST receivable/payable	10,804	4,504
	18,652	(79,719)
Financing activities		
Decrease in bank indebtedness	—	(91,270)
Cash received - Acquisition Fund	—	10,487
Cash received - John Willard Residency Fund	—	199
Increase in due to City of Burlington	343,254	388,937
Decrease in loan from the Ontario Cultural Attractions Fund	—	(14,000)
	343,254	294,353
Investing activities		
Purchase with restricted cash - Acquisition Fund	—	(15,668)
Purchase of capital assets	—	(31,473)
	—	(47,141)
Net increase in cash	361,906	167,493
Cash, beginning of year	188,229	20,736
Cash, end of year	550,135	188,229
Cash consists of:		
Cash	461,627	98,962
Internally restricted cash	77,154	74,587
John Willard Residency Fund	5,463	8,417
Acquisition Fund	5,891	6,263
	550,135	188,229

The accompanying notes are an integral part of these financial statements

1. Status and mandate

The Art Gallery of Burlington (the "Art Gallery") is incorporated under the Corporations Act of Ontario as a not-for-profit organization without share capital. A Board of Directors, elected by the members, is responsible for the governance of the Art Gallery. The Art Gallery maintains and operates a facility owned by the City of Burlington. The Art Gallery is designated Category A under the Moveable Cultural Properties Program of the Department of Canadian Heritage.

The Art Gallery acts as a community art centre and a public art gallery and provides artistic experiences and opportunities including exhibitions, educational programs, publications, and access to studios to the general public, and maintains a nationally significant permanent collection of contemporary Canadian ceramic art.

2. Economic dependence

The Art Gallery receives a significant portion of its funding from the City of Burlington (the "City"), which is used for both capital purchases and operating expenses. In addition, the City performs certain administrative functions within the Art Gallery and as described in Note 11 provides the premises that the Art Gallery operates for a nominal amount. Without such assistance, the operations of the Art Gallery would be significantly curtailed.

3. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash

Cash includes unrestricted cash on hand and balances with banks. Restricted cash and other bank borrowings to finance capital and operating expenses are considered to be financing activities.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Cost includes the landed converted cost of purchase inclusive of foreign exchange, duty, and freight as applicable. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Financial instruments

The Art Gallery's financial instruments consist of cash, internally restricted cash, accounts receivable, Burlington Foundation investments, HST receivable/payable, and accounts payable and accrued liabilities. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

3. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is provided as follows:

Equipment	5 year straight-line
Parking meters	5 year straight-line
Furniture and fixtures	5 year straight-line

Government assistance received towards the acquisition of capital assets is deducted from the related cost.

Revenue recognition

The Art Gallery follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets in the year.

Burlington Foundation investments are recorded at market value as reported by the fund managers. Revenue from endowment represents interest, dividends, and realized and unrealized gains and losses, net of safekeeping and investment management and other investment expenses.

Membership fees are recorded when received. Program fees are recognized in the period in which the service was performed. Art Gallery Shop revenues are recognized at the point of sale.

Non-cash donations and contributed services

These financial statements do not reflect the substantial value of services contributed by volunteers and other interested parties because the fair market value of such services is not readily available.

Income taxes

The Art Gallery is a charitable organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Art Gallery must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

Deferred revenue

The balance represents designated funds received which have not yet been used for their specified purposes, as well as deposits for 2020 course fees.

Employee benefit plan

The Art Gallery participates in the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employers contributory defined benefit pension plan, providing pension benefits to most of its employees. The plan is accounted for as a defined contribution plan as there is insufficient information to apply defined benefit plan accounting.

4. Internally restricted cash

	2019	2018
	\$	\$
Royal Bank of Canada reserve	487	487
40th Anniversary Fundraiser	76,667	74,100
	77,154	74,587

Included in the internally restricted cash balance is \$76,667 (\$74,100 in 2018) which is restricted by the Board of Directors for investment purposes.

5. Restricted funding

	2019	2018
	\$	\$
Balance, beginning of the year	—	—
Add: contributions received		—
City of Burlington	41,675	75,000
Less: capital expenses	41,675	75,000
Balance, end of year	—	—

In the current year, the Art Gallery received restricted capital funding from the City for the purpose of stabilizing, replacing, or making improvements to the existing building system, to effectively maintain the lifecycle of the facility and to continue to provide a safe environment for patrons using the Art Gallery facility.

6. Accounts receivable

	2019	2018
	\$	\$
Accounts receivable	50,456	21,215
Contributions receivable	—	73,500
	50,456	94,715

7. Permanent collection

The Art Gallery's permanent collection of contemporary Canadian ceramic art is recognized nationally and internationally. The collection includes numerous works of outstanding significance and national importance as certified under the Moveable Cultural Properties Program. The collection is recorded at a nominal value of \$1 in these financial statements. The collection is insured for a value of \$3,330,000 (\$2,832,898 in 2018)

Art Gallery of Burlington
Notes to the financial statements
December 31, 2019

8. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$
Equipment	20,000	17,000	3,000	7,000
Parking meters	18,987	12,331	6,656	10,448
Furniture and fixtures	31,474	6,295	25,179	31,474
	70,461	35,626	34,835	48,922

Amortization of \$14,087 (\$7,791 in 2018) is included in facility operating expenses on the statement of operations.

9. Accounts payable and accrued liabilities

	2019	2018
	\$	\$
Accounts payable and accrued liabilities	130,695	113,266
Accrued payroll	35,281	45,959
	165,976	159,225

10. Due to City of Burlington

The City of Burlington has waived their right to demand repayment of \$344,257 of the balance within twelve months of the date of the statement of financial position.

11. Operating lease commitments

The Art Gallery is committed under an operating lease which expired on November 14, 2017 for the facility at an amount of \$1 per year. The operating lease has not been renewed, and so it continues in force at the pleasure of the City of Burlington. The Art Gallery is also committed under non-cancelable operating leases for business equipment. Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

	\$
2020	21,982
2021	16,487
	<u>38,469</u>

12. Employee benefit plan

The Art Gallery's contribution to OMERS during the year amounted to \$80,214 (\$88,422 in 2018)

13. Revenue

During the year, revenues were recognized as follows:

	2019	2018
	\$	\$
Public sector		
Department of Canadian Heritage	15,000	2,854
Other federal	16,717	5,155
Total federal	31,717	8,009
Ontario Arts Council operating	—	21,018
Total provincial	—	21,018
City of Burlington operating	972,154	953,093
City of Burlington project	120,000	135,000
Total municipal	1,092,154	1,088,093
Total public sector	1,123,871	1,117,120
Total services, programs, and shop sales	1,040,462	978,664
Total private sector	249,155	587,665
Total investment income	14,530	—
Total revenue	2,428,018	2,683,449

14. Deferred revenue

	2019	2018
	\$	\$
Acquisition Fund	5,891	6,263
Programs	85,035	60,426
John Willard Residency Fund	5,463	8,417
	96,389	75,106

15. Financial instruments

The Art Gallery's financial instruments consist of cash, internally restricted cash, accounts receivable, Burlington Foundation investments, HST receivable/payable, and accounts payable and accrued liabilities.

Liquidity risk

The Art Gallery's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable, purchasing commitments and obligations, or raising funds to meet commitments and sustain operations. The Art Gallery controls liquidity risk by management of working capital, cash flows, and borrowing facilities.

Interest rate risk

The Art Gallery has a line of credit that bears interest at the bank prime rate plus 1%, subject to fluctuations in the bank prime rate. Changes in the bank prime lending rate can cause fluctuation in interest payments and cash flows. The Art Gallery does not use derivative financial instruments to mitigate the effect of this risk.

Other risks

Unless otherwise noted, it is management's opinion that the Art Gallery is not exposed to significant credit, market, or currency risks.

16. Comparative figures

Certain figures for 2018 have been reclassified to conform to the presentation adopted in 2019.

17. Subsequent event

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial position, results of operations and cash flows of the Art Gallery in future periods.