

Financial Statements

The Grimsby Public Art Gallery

December 31, 2018

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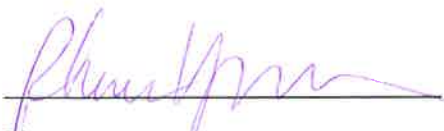
Management's Responsibility for Financial Statements

The accompanying financial statements of The Grimsby Public Art Gallery (the "Gallery") are the responsibility of the Gallery's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.


The Gallery's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Council meets with management and the external accountants to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been reviewed by Grant Thornton LLP, licensed public accountants appointed by the Town of Grimsby. The accompanying Independent Practitioner's Review Engagement Report outlines their responsibilities, and their opinion on the Gallery's financial statements.



Rhona Wenger
Art Gallery Director
The Corporation of the Town of Grimsby



Steven Gruning, CPA, CGA
Director of Finance/Treasurer
The Corporation of the Town of Grimsby

October 22, 2019

Independent Practitioner's Review Engagement Report

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To the Members of
The Grimsby Public Art Gallery

We have reviewed the accompanying financial statements of The Grimsby Public Art Gallery that comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for qualified conclusion

The Gallery belongs to a post-employment benefit plan which is administered by the Town of Grimsby. The Gallery's share of the post-employment benefit liability is not reflected in the statement of financial position of the Gallery as it was impractical to complete this analysis. The effect of this departure from Canadian public sector accounting standards on the financial statements has not been determined.

Qualified conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of The Grimsby Public Art Gallery as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Port Colborne, Canada
October 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Grimsby Public Art Gallery Statement of Financial Position

December 31	2018	2017
Financial assets		
Receivable from Town of Grimsby	<u>\$ 81,850</u>	<u>\$ 102,064</u>
Liabilities		
Deferred revenue (Note 3)	62,626	77,301
Long-term liabilities (Note 4)	<u>3,273</u>	<u>4,332</u>
	<u>65,899</u>	<u>81,633</u>
Net financial assets	15,951	20,431
Non-financial assets		
Prepays	1,155	720
Tangible capital assets (Page 13)	<u>2,742</u>	<u>3,839</u>
Accumulated surplus (Note 5)	<u>\$ 19,848</u>	<u>\$ 24,990</u>

On behalf of the board

See accompanying notes and schedule to the financial statements

The Grimsby Public Art Gallery

Statement of Operations

Year Ended December 31, 2018

	Budget 2018 (Note 11)	Actual 2018	Actual 2017
Revenue			
Municipal contribution (Note 6)	\$ 244,370	\$ 244,370	\$ 239,580
Government transfers (Note 7)	90,420	67,244	80,289
Donations	12,000	10,948	20,593
Fundraising	19,500	18,030	5,870
Miscellaneous	<u>34,400</u>	<u>33,148</u>	<u>28,808</u>
	<u>400,690</u>	<u>373,740</u>	<u>375,140</u>
Expenses			
Advertising and promotion	2,500	1,658	1,867
Amortization	1,097	1,097	1,097
Conferences and training	700	-	151
Events	24,020	27,368	33,098
Insurance	2,860	2,861	2,748
Maintenance and repairs	34,580	38,689	50,103
Memberships	1,400	1,461	1,347
AB/ABC Project – Artist’s Book Exhibition	50,610	21,912	24,999
Office	18,760	16,815	13,790
Professional fees	3,180	4,025	3,100
Salaries, wages and benefits (Note 8)	220,680	225,927	207,037
Supplies	10,000	9,160	8,047
Travel	3,500	1,970	3,637
Utilities	<u>27,900</u>	<u>25,939</u>	<u>29,537</u>
	<u>401,787</u>	<u>378,882</u>	<u>380,558</u>
Deficit	(1,097)	(5,142)	(5,418)
Accumulated surplus (Note 5)			
Beginning of year	<u>24,990</u>	<u>24,990</u>	<u>30,408</u>
End of year	<u>\$ 23,893</u>	<u>\$ 19,848</u>	<u>\$ 24,990</u>

See accompanying notes and schedule to the financial statements.

The Grimsby Public Art Gallery
Statement of Changes in Net Financial Assets

Year Ended December 31, 2018

	Budget <u>2018</u> (Note 11)	Actual <u>2018</u>	Actual <u>2017</u>
Deficit	\$ (1,097)	\$ (5,142)	\$ (5,418)
Amortization of tangible capital assets	1,097	1,097	1,097
Disposal of tangible capital assets	-	-	-
Acquisition of prepaids	<u>-</u>	<u>(435)</u>	<u>(332)</u>
Decrease in net financial assets	-	(4,480)	(4,653)
Net financial assets			
Beginning of year	<u>20,431</u>	<u>20,431</u>	<u>25,084</u>
End of year	<u>\$ 20,431</u>	<u>\$ 15,951</u>	<u>\$ 20,431</u>

See accompanying notes and schedule to the financial statements.

The Grimsby Public Art Gallery
Statement of Changes in Cash Flows

Year Ended December 31

2018

2017

Increase (decrease) in cash and cash equivalents

Operating

Deficit	\$ (5,142)	\$ (5,418)
Non-cash items		
Amortization	1,097	1,097
Decrease in receivable from Town of Grimsby	20,214	30,293
Increase in prepaids	(435)	(332)
Decrease in deferred revenue	<u>(14,675)</u>	<u>(24,585)</u>
	<u>1,059</u>	<u>1,055</u>

Capital

Disposal of tangible capital assets	<u>-</u>	<u>-</u>
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Financing

Repayment of long-term debt	<u>(1,059)</u>	<u>(1,055)</u>
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Net increase in cash and cash equivalents

- -

Cash and cash equivalents

Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and schedule to the financial statements.

The Grimsby Public Art Gallery

Notes to the Financial Statements

December 31, 2018

1. Purpose of the Art Gallery Board

The Grimsby Public Art Gallery ("the Art Gallery") provides Art Gallery services to residents of the Town of Grimsby and residents of other municipalities who have contracted with the Art Gallery for services.

2. Significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and are measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(b) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Art Gallery.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates.

(d) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Art Gallery does not capitalize interest as part of the costs of its capital assets.

The Grimsby Public Art Gallery

Notes to the Financial Statements

December 31, 2018

2. Significant accounting policies (continued)

(d) Tangible capital assets (continued)

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the statement of operations as other revenue. Works of art and cultural assets are not recorded as assets in these financial statements.

<u>Classification</u>	<u>Useful Lives</u>
Equipment	5 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for use and put in service.

(e) Deferred revenue

Deferred revenue is comprised of user charges, user fees and grant amounts which have been received prior to the fiscal year to which they pertain. These amounts will be recognized as revenues in the fiscal year the services are performed.

(f) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(g) Revenue recognition

Government transfers, which include municipal contributions and provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met and reasonable estimates of the amounts can be made.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

(h) Reserves for future expenses

Certain amounts, as approved by the Art Gallery, are set aside in reserves for future operating and capital expenses.

The Grimsby Public Art Gallery

Notes to the Financial Statements

December 31, 2018

2. Significant accounting policies (continued)

(i) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Deferred revenue	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 77,301	\$ 101,886
Memberships and donations received during year	780	-
Grant revenue received during year	29,933	27,039
Revenue recognized during year	<u>(45,388)</u>	<u>(51,624)</u>
Balance, end of year	<u>\$ 62,626</u>	<u>\$ 77,301</u>

4. Long-term liabilities	<u>2018</u>	<u>2017</u>
Capital lease obligation bearing interest at 2% and payable in quarterly instalments of \$ 294, secured by equipment under lease	<u>\$ 3,273</u>	<u>\$ 4,332</u>

Principal repayments in each of the next three years are due as follows:

2019	\$ 1,090
2020	1,125
2021	1,058

Total charges for interest included in office expense on the statement of operations is \$ 117 (2017 - \$ 138).

The Grimsby Public Art Gallery

Notes to the Financial Statements

December 31, 2018

5. Accumulated surplus	<u>2018</u>	<u>2017</u>
Operating deficit	\$ (11,619)	\$ (6,515)
Reserve for capital	31,998	31,998
Investment in tangible capital assets	2,742	3,839
Debt for tangible capital assets	<u>(3,273)</u>	<u>(4,332)</u>
	<u>\$ 19,848</u>	<u>\$ 24,990</u>

6. Related party transactions	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Municipal contribution	\$ 244,370	\$ 244,370	\$ 239,580
Expenses			
Utilities	\$ 23,100	\$ 21,392	\$ 25,126
Office	12,160	12,160	9,860
Maintenance and repairs	<u>2,570</u>	<u>5,159</u>	<u>2,315</u>
	<u>\$ 37,830</u>	<u>\$ 38,711</u>	<u>\$ 37,301</u>

All the above transactions are with the Town of Grimsby.

7. Government transfers	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Federal	\$ 62,380	\$ 33,710	\$ 32,124
Provincial - Ontario Arts Council	27,040	27,039	39,915
Municipal	-	6,495	7,750
Other	<u>1,000</u>	<u>-</u>	<u>500</u>
	<u>\$ 90,420</u>	<u>\$ 67,244</u>	<u>\$ 80,289</u>

8. Salaries, wages and benefits	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Salaries and wages	\$ 177,600	\$ 192,097	\$ 174,827
Benefits	<u>43,080</u>	<u>33,830</u>	<u>32,210</u>
	<u>\$ 220,680</u>	<u>\$ 225,927</u>	<u>\$ 207,037</u>

The Grimsby Public Art Gallery

Notes to the Financial Statements

December 31, 2018

9. Pension agreements

The Art Gallery makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the Plan.

Since OMERS is a multi-employer pension plan, the Art Gallery does not recognize any share of the pension plan deficit of \$ 2.8 billion (2017 - \$ 600 million surplus) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2018 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and the level of earnings. Employer contributions for current and past service are included as an expense in the statement of operations. Employer contributions to OMERS for 2018 current and past service was \$ 8,750 (2017 - \$ 10,632) and were matched by employee contributions in a similar amount.

10. Workplace Safety and Insurance Board future benefits

The Art Gallery, as a part of the Town, is a Schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self-insurance for all its employees.

An actuarial estimate of the future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The Art Gallery remits payments to the WSIB as required to fund disability payments.

A Workplace Safety and Insurance Reserve, funded by annual contributions from the Town, has also been established to protect against any unknown future liability. The Town also maintains an insurance policy, which protects the Corporation against single claims in excess of \$ 500,000.

11. Budget

The budget approved by the Art Gallery Board includes expenditures for tangible capital assets, but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the statement of operations.

	<u>2018</u>
Approved budgeted annual surplus	\$ -
Less: amortization of tangible capital assets	<u>(1,097)</u>
Budgeted annual deficit reported on the statement of operations	<u>\$ (1,097)</u>

The Grimsby Public Art Gallery
Schedule of Tangible Capital Assets

December 31	2018	2017
Equipment under capital lease		
Cost		
Beginning of year	\$ 5,485	\$ 5,485
Add additions	-	-
Less disposals	<u>-</u>	<u>-</u>
End of year	<u>5,485</u>	<u>5,485</u>
Accumulated amortization		
Beginning of year	1,646	549
Add amortization	1,097	1,097
Less disposals	<u>-</u>	<u>-</u>
End of year	<u>2,743</u>	<u>1,646</u>
Net book value	<u>\$ 2,742</u>	<u>\$ 3,839</u>