

Financial Statements of

**NATIONAL ART GALLERY OF THE BAHAMAS**

June 30, 2019

# NATIONAL ART GALLERY OF THE BAHAMAS

Financial Statements

June 30, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**NATIONAL ART GALLERY OF THE BAHAMAS**

### *Opinion*

We have audited the financial statements of National Art Gallery of The Bahamas ("NAGB"), which comprise the statement of financial position as at June 30, 2019, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NAGB as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of NAGB in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Commonwealth of The Bahamas, and we have fulfilled our 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 for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 NAGB'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 NAGB or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing NAGB's financial reporting process.

## INDEPENDENT AUDITORS' REPORT (continued)

### *Auditors' 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 auditors' 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 ISAs 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 ISAs, 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 NAGB'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 NAGB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause NAGB 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT AUDITORS' REPORT (continued)**

*Report on Other Legal and Regulatory Requirements*

In our opinion, under the provisions of The National Art Gallery of the Bahamas Act, 2003 (the "Act"), the accounting records required by the Act to be kept by NAGB, of which we are the auditors have been kept in accordance with the provisions of the Act.

A handwritten signature in black ink, appearing to read "Baker Tilly", written in a cursive style.

**CHARTERED ACCOUNTANTS**

May 27, 2020  
Nassau, Bahamas

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Financial Position

June 30, 2019

(Expressed in Bahamian dollars)

	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 765,841	\$ 638,785
Grants and subsidy receivable (Note 5(c))	29,706	-
Other receivable	36,148	4,323
Inventories	39,055	15,812
<b>Total current assets</b>	<b>870,750</b>	<b>658,920</b>
<b>Fixed assets (Note 6)</b>		
Art collections (Note 7)	1,110,147	1,106,008
<b>Total assets</b>	<b>\$2,555,028</b>	<b>\$2,338,219</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 54,611	\$ 64,282
<b>Net assets</b>		
Unrestricted funds	2,061,493	1,868,947
Restricted funds (Note 10)	438,924	404,990
<b>Total net assets</b>	<b>2,500,417</b>	<b>2,273,937</b>
<b>Total liabilities and net assets</b>	<b>\$2,555,028</b>	<b>\$2,338,219</b>

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

These financial statements were approved by the Board of Directors and authorized to be issued on May 27, 2020 and signed on its behalf by the following:



Director



Director

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Comprehensive Income

For the year ended June 30, 2019

	2019	2018
<b>REVENUE</b>		
Government grant (Note 5(a))	\$1,550,000	\$1,188,000
Government subsidy (Note 5(c))	127,506	37,912
Funding and donations	40,792	33,809
Ticket and gift shop sales, net	38,596	68,695
Private grant released and recognized as revenue (Note 10)	22,342	10,384
	<u>1,779,236</u>	<u>1,338,800</u>
<b>EXPENSES</b>		
Operating and administrative expenses (Notes 5(b), 8)	1,621,262	1,364,092
<b>Net income/(loss) before other income</b>	<u>157,974</u>	<u>(25,292)</u>
<b>Other income</b> (Note 9)	<u>34,572</u>	<u>40,498</u>
<b>Net income and total comprehensive income</b>	<u>\$ 192,546</u>	<u>\$ 15,206</u>

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Changes in Net Assets

For the year ended June 30, 2019

	Unrestricted Funds	Restricted Funds	Total Net Assets
<b>Balance as at June 30, 2017</b>	\$1,853,741	\$ -	\$1,853,741
Total comprehensive income	15,206	-	15,206
Private grants received (Note 10)	-	415,374	415,374
Funds released to revenue during the year (Note 10)	-	(10,384)	(10,384)
<b>Balance as at June 30, 2018</b>	1,868,947	404,990	2,273,937
Total comprehensive income	192,546	-	192,546
Private grants received for the year (Note 10)	-	56,276	56,276
Funds released to revenue during the year (Note 10)	-	(22,342)	(22,342)
<b>Balance as at June 30, 2019</b>	<b>\$2,061,493</b>	<b>\$ 438,924</b>	<b>\$2,500,417</b>

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.



# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Cash Flows

For the year ended June 30, 2019

	2019	2018
<b>CASH PROVIDED BY/(USED IN):</b>		
<b>Cash flows from operating activities:</b>		
Net operating income of the year	\$ 192,546	\$ 15,206
Adjustment to reconcile net operating income of the year to the net cash provided by operating activities:		
Depreciation	105,358	67,221
Interest income	(223)	(187)
Private grant released and recognized as revenue	(22,342)	(10,384)
<b>Cash provided by operations before changes in operating assets and liabilities</b>	<b>275,339</b>	<b>71,856</b>
<b>Decrease/(increase) in operating assets</b>		
Grants and subsidy receivable	(29,706)	99,000
Other receivable	(31,825)	62,677
Inventories	(23,243)	(11,265)
Interest received	223	187
<b>Decrease in operating liabilities</b>		
Accounts payable and accrued expenses	(9,671)	(22,453)
<b>Net cash provided by operating activities</b>	<b>181,117</b>	<b>200,002</b>
<b>Cash flows from investing activities:</b>		
Additions to fixed assets	(109,497)	(447,738)
Additions to art collections	(840)	(55,000)
<b>Net cash used in investing activities</b>	<b>(110,337)</b>	<b>(502,738)</b>
<b>Cash flows from financing activities:</b>		
Restricted funds received	56,276	415,374
<b>Net cash provided by financing activities</b>	<b>56,276</b>	<b>415,374</b>
<b>Net increase in cash and cash equivalents</b>	<b>127,056</b>	<b>112,638</b>
Cash and cash equivalents, beginning of year	638,785	526,147
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 765,841</b>	<b>\$638,785</b>
<b>Represented by:</b>		
Cash and cash equivalents (Note 4)	\$ 765,841	\$638,785

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

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### 1. GENERAL

National Art Gallery of The Bahamas, ("NAGB"), was established under the Act passed by Parliament of the Commonwealth of The Bahamas on July 11, 2003, as a non-profit, quasi-governmental, private corporation. NAGB's primary objectives are the acquisition, preservation, maintenance and collection of works of art and the education of the public on works of art.

NAGB's place of business is located at West Hill Street, P.O. Box N-711, Nassau, Bahamas.

These financial statements were authorized to be issued by the Board of Directors on March 27, 2020.

### 2. ADOPTION OF STANDARDS AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of NAGB's financial statements are consistent with those of the previous financial period except for the adoption of IFRS 9, *Financial Instruments* effective for annual periods beginning on or after January 1, 2018, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. As permitted by the transition provisions of this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard. Information about the changes in the policies and impact of their adoption is disclosed in Note 3(e), as appropriate.

At the date of these financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board ("the IASB") have not been applied in these financial statements as they are not yet effective:

IFRS 3 (amendments)	- Clarifying the Definition of a Business - effective from January 1, 2020
IFRS 16	- Leases - effective from January 1, 2019
IFRS 17	- Insurance Contracts - effective from January 1, 2021
IAS 12 (amendments)	- Income Taxes - amendments to clarify the income tax consequences of dividends - effective from January 1, 2019
IAS 19 (amendments)	- Employee Benefits - amendments to require an entity to use the updated assumptions - effective January 1, 2019
IAS 28 (amendments)	- Amendments to clarify the application of IFRS 9 to long-term interests in an associate or joint venture - effective January 1, 2019

The Directors are in the process of determining the impact of the adoption of such standards and amendments to the existing standards on NAGB's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies set out below have been applied consistently to all years presented, unless otherwise stated.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

(c) Functional and reporting currency

The financial statements are expressed in Bahamian dollars, which is NAGB's functional and reporting currency.

(d) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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 expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- Note 6 - Fixed assets
- Note 11 - Fair value of financial instruments
- Note 12 - Risk analysis

(e) Financial assets – classification and subsequent measurement

Policy from July 1, 2018

On initial recognition, NAGB classifies its financial assets at amortized cost. The classification depends on NAGB's business model and the asset's contractual cash flow characteristics. Management determines the classification at the time of initial recognition.

- Financial assets at amortized cost

A financial asset is measured at amortized cost using the effective interest method less any allowance for impairment, if it is held in a business model whose objective is to hold the assets to collect the contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest and not designated as at fair value through profit or loss ("FVTPL"). Balances included in this classification are cash and cash equivalents, grants and subsidy receivable and other receivable.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Financial assets – classification and subsequent measurement (continued)

Policy before July 1, 2018

NAGB classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of the financial assets. Management determines the classification at the time of initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except those that NAGB intends to sell in the short-term or that are designated as at fair value through profit and loss or available-for-sale. Loans and receivables are initially measured at fair value and subsequently re-measured at amortized cost, using the effective interest method less any impairment losses. Balances included in this classification are cash and cash equivalents and other receivable.

The following table explains the effect of adopting IFRS 9 on the classification and carrying amounts of financial assets as at July 1, 2018 in NAGB's financial statements:

		IAS 39		IFRS 9	
		Original classification under IAS 39	Original carrying amount under IAS 39	New classification under IFRS 9	New carrying amount under IFRS 9
Financial assets					
Cash and cash equivalents	Loans and receivables		\$638,785	Amortized cost	\$638,785
Other receivable	Loans and receivables		4,323	Amortized cost	4,323
			\$643,108		\$643,108

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

(g) Inventories

Inventories include books, catalogues, t-shirts and post cards. Inventories is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. Cost is determined using the average cost method.

(h) Art collections

Works of art comprise art collections, which when purchased are recorded at cost, and when donated are recorded by estimation at the date of the donation, as determined by NAGB's Chief Curator.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to NAGB and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building and building improvements	-	20 years
Office equipment	-	3 to 5 years
Furniture and fixtures	-	5 years

Land is not depreciated. Building improvements represent architect fees and construction costs incurred during the restoration of NAGB's buildings. Gains and losses arising on the disposal of fixed assets are determined as the difference between the sales proceeds and the carrying amounts of the assets sold and are recognized in the statement of comprehensive income.

The useful lives of NAGB's fixed assets and the depreciation methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets. When an asset is retired or disposed of, or is permanently withdrawn from use and no future economic benefit is expected, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in the statement of comprehensive income.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable. If there is an indication that the carrying values exceed the estimated recoverable amount, the assets are written down to their estimated recoverable amount.

The recoverable amount of fixed assets is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income. Management does not believe that any such changes in circumstances have occurred which would require NAGB's fixed assets to be adjusted for impairment losses.

#### (j) Financial liabilities

Financial liabilities are classified as other financial liabilities:

- Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently re-measured at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. The effective interest rate is the ratio that exactly discounts estimated future cash payment through the expected life of the financial liability, or where appropriate, a shorter period. Accounts payable and accrued expenses are included in this category.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Recognition of financial assets and liabilities

NAGB recognizes financial assets and liabilities on the day it becomes a party to the contractual provisions of the instruments.

(l) Derecognition of financial assets and liabilities

NAGB derecognizes financial assets when the contractual rights to receive cash flows from the assets expire or have been transferred and NAGB has transferred substantially all the risks and rewards of ownership of the asset, or NAGB has transferred control of the asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

(m) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(n) Related parties

Related parties may be individuals or corporate entities. Related parties include all Ministries and Departments of the Government of The Bahamas (the "Government"), Government Corporations, Subsidiaries and Agencies, as well as key management personnel and Directors of the Corporation.

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence.

(o) Unrestricted funds

Unrestricted funds are not subject to donor-imposed stipulations.

(p) Restricted funds

Restricted funds represent a reserve of funds from donations for specific purposes. Restricted funds provide reassurance to donors that their contributions will be used in a manner they have chosen. The restricted funds are initially recognized in the net assets as restricted funds, then recognized as funds released to revenue in the statement of comprehensive income, on a systematic basis over the period's corresponding non-monetary assets. The non-monetary assets are included in the appropriate category of building improvements.

(q) Revenue and expense recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to NAGB and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue and expenses are recognized on the following basis:

(i) Government grant

Government grants are recognized where there is reasonable assurance revenue will be received by NAGB.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue and expense recognition (continued)

(ii) Government subsidy

Government subsidy is recognized where there is reasonable assurance that the subsidy will be received or an obligation is paid by the Government on behalf of NAGB. Government subsidy represents electricity bills paid by the Government on behalf of NAGB.

(iii) Funding and donations

Income from funding and donations is recognized when received.

(iv) Ticket and gift shop sales

Revenue from ticket sales is recognized when tickets are issued. Revenue from store sales is recognized at the point of sale.

(v) Facility rentals

Revenue from facility rentals is recognized upon utilization of the facility.

(vi) Special tours

Revenue from special tours is recognized upon completion of the tour.

(vii) Expenses

Expenses are recognized on the accrual basis.

(r) Foreign currency translations

Foreign currency transactions are translated into Bahamian dollars, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are retranslated into Bahamian dollars at the reporting date, at the applicable exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historic rates. Exchange gains and losses are included in the statement of comprehensive income.

(s) Taxes

No income, corporation or capital gains taxes are levied on entities in The Bahamas and accordingly, no provision for such taxes is included in these financial statements.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

### 4. CASH AND CASH EQUIVALENTS

As at June 30, 2019, cash and cash equivalents consist of the following:

	2019	2018
<b>Cash at bank</b>		
FirstCaribbean International Bank:		
Savings account	\$488,079	\$427,734
Current accounts	277,762	211,051
	<u>\$765,841</u>	<u>\$638,785</u>

The savings account earns interest at a rate of 0.05% (2018 - 0.05%) per annum.

### 5. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include:

- (a) The Government selects most of the members of NAGB Board of Directors and provides most of the revenue through annual grants. Total government grant received during the year amounted to \$1,550,000.
- (b) General operating expenses include utility charges from Bahamas Power and Light Corporation ("BPL"), Bahamas Telecommunication Co. ("BTC") and Water and Sewerage Corporation ("WSC"). These entities are related parties by virtue of being owned, either wholly or partially, by the Government.
- (c) As a quasi-governmental entity, NAGB reports under the Ministry of Youth, Sports & Culture. The Government reports through the Ministry of Finance (the "MOF"). The Government implemented a netting off exercise whereby all government institutions and quasi-governmental entities holding outstanding payable balances with BPL will be settled. NAGB recognized the net balance with BPL as a government subsidy of \$127,506 (2018 - \$37,912) in the statement of comprehensive income.
- (d) The Board of Directors, key management and the Friends of the Arts in The Bahamas Foundation ("the FAB Foundation"). The FAB Foundation and NAGB are related by virtue of common directors.

As at June 30, 2019, related party transactions and balances for the year were as follows:

	Notes	2019	2018
<b>ASSETS</b>			
Grant and subsidy receivable	5(c)	\$ 29,706	\$ -
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	5(c)	\$ 29,706	\$ -
<b>REVENUE</b>			
Government grant	5(a)	\$1,550,000	\$1,188,000
Government subsidy	5(c)	127,506	37,912
		<u>\$1,677,506</u>	<u>\$1,225,912</u>



# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

### 5. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Notes	2019	2018
<b>EXPENSES</b>			
Electricity	5(b) 5(c), 8	\$ 80,626	\$ 37,912
Salaries and related expenses	8	75,000	75,000
Honoraria - board members	8	41,100	42,800
Telephone	5(b), 8	15,395	13,117
Water and sewage	5(b), 8	4,944	4,923
		<b>\$217,065</b>	<b>\$173,752</b>

### 6. FIXED ASSETS

As at June 30, 2019, fixed assets consist of the following:

	Land	Building	Building improvements	Construction in progress	Office equipment	Furniture and fixtures	Total
<b>Cost</b>							
Balance at June 30, 2017	\$384,000	\$419,750	\$295,721	\$ -	\$109,726	\$69,831	\$1,279,028
Additions (Note 10)	-	-	423,677	-	18,061	6,000	447,738
Balance at June 30, 2018	384,000	419,750	719,398	-	127,787	75,831	1,726,766
Additions (Note 10)	-	-	59,860	49,637	-	-	109,497
Balance at June 30, 2019	384,000	419,750	779,258	49,637	127,787	75,831	1,836,263
<b>Accumulated depreciation</b>							
Balance at June 30, 2017	-	251,245	165,591	-	83,998	52,703	553,537
Charge for the year	-	20,988	25,220	-	15,070	5,943	67,221
Balance at June 30, 2018	-	272,233	190,811	-	99,068	58,646	620,758
Charge for the year	-	20,988	58,400	-	19,127	6,843	105,358
Balance at June 30, 2019	-	293,221	249,211	-	118,195	65,489	726,116
<b>Net book value at June 30, 2019</b>	<b>\$384,000</b>	<b>\$126,529</b>	<b>\$530,047</b>	<b>\$49,637</b>	<b>\$ 9,592</b>	<b>\$10,342</b>	<b>\$1,110,147</b>
<b>Net book value at June 30, 2018</b>	<b>\$384,000</b>	<b>\$147,517</b>	<b>\$528,587</b>	<b>\$ -</b>	<b>\$ 28,719</b>	<b>\$17,185</b>	<b>\$1,106,008</b>

### 7. ART COLLECTIONS

On March 19, 2018, the Board of Directors resolved to obtain a valuation of the art collection and engaged Mr. Jay Koment, an art dealer of New Providence Art & Antiques, to perform an appraisal. Based on Mr. Koment's appraisal report dated May 2018, the art collection was valued at \$1,524,600, using the market based approach.

Subsequent to reviewing the result of the appraisal, the board of directors concluded that the NAGB will continue to measure its art collection based on the cost of acquisition. At June 30, 2019, the cost value of the art collection was \$574,131 (2018 - \$573,291).

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

### 8. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year were as follows:

	2019	2018
Salaries and related expenses (Note 5(d))	\$ 635,158	\$ 589,753
Repairs and maintenance	280,605	195,232
Depreciation (Note 6)	105,358	67,221
Electricity (Note 5(c))	80,626	37,912
Exhibitions	75,587	65,847
Printing and office expenses	66,794	28,011
Office supplies	51,712	55,111
Honorarium - board members (Note 5(d))	41,100	42,800
Workshop	36,793	32,244
Security	34,453	32,443
Legal and professional fees	33,639	57,619
Courier and freight	27,889	16,263
Travel	24,541	21,070
Janitorial and cleaning	23,653	12,361
Promotion and advertising	22,710	24,874
Meals and refreshments	22,119	23,939
Insurance	17,339	16,704
Telephone (Note 5(b))	15,395	13,117
Bank charges	7,889	9,274
Art supplies	6,212	5,941
Water and sewage (Note 5(b))	4,944	4,923
Miscellaneous	3,447	8,222
Cable	3,299	3,211
	<b>\$1,621,262</b>	<b>\$1,364,092</b>

### 9. OTHER INCOME

Other income for the year were as follows:

	2019	2018
Facility rentals and special tours	\$26,830	\$32,143
Others	7,519	8,168
Interest income	223	187
	<b>\$34,572</b>	<b>\$40,498</b>

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

### 10. RESTRICTED FUNDS

During the year, NAGB received funding of \$56,276 (2018 - \$415,374), from FAB Foundation. FAB Foundation received funding from private grants and from the Albeck Family to ultimately assist NAGB with the construction of the "Fiona Amphitheatre" on NAGB's grounds. On December 12, 2017, the Fiona Amphitheatre was opened.

The movement of restricted funds as at June 30, 2019, were as follows:

	2019	2018
Balance at beginning of year	\$ 404,990	\$ -
Private grants received during the year	56,276	415,374
Private grant released and recognized as revenue	(22,342)	(10,384)
Balance at end of year	\$438,924	\$404,990

### 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying value of the financial assets and liabilities disclosed in the statement of financial position approximate their fair values at the reporting date for one or both of the following reasons:

- (i) Short-term maturities;
- (ii) Interest rate approximates market rate;
- (iii) Carrying values approximate fair value.

### 12. RISK ANALYSIS

NAGB has exposure to the following risks in its use of financial instruments:

#### a. Credit risk

Credit risk is the possibility that one party to a financial instrument fails to discharge an obligation and causes the other party to incur a financial loss. NAGB is exposed to credit risk in the event that counterparties are unable or unwilling to meet commitments they entered into with NAGB.

NAGB has significant exposure to credit risk in relation to cash and cash equivalents and grants receivable. Management does not consider that these balances are impaired as at June 30, 2019. Management, in deciding whether to enter into a transaction with a proposed counterparty, assesses the risk to NAGB in dealing with the proposed counterparty and the likelihood of the proposed counterparty not being able to fulfill its obligations. As at June 30, 2019, the maximum exposure to credit risk for NAGB equals the carrying value of its financial assets in the statement of financial position as set out below:

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents	\$765,841	\$638,785

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

### 12. RISK ANALYSIS (continued)

#### b. Liquidity risk

Liquidity risk is the possibility that NAGB will encounter difficulty in meeting obligations associated with its financial liabilities. NAGB manages liquidity risk by ensuring, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to NAGB's reputation.

The following table details NAGB's expected contractual maturities for its financial liabilities as at June 30, 2019 and indicates the undiscounted cash flows of such financial liabilities based on the earliest date on which NAGB can be required to pay. The table includes only principal cash flows.

	2019		
	1 – 30 days	Over 30 days	Total
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	\$54,611	\$ -	\$54,611
	2018		
	1 – 30 days	Over 30 days	Total
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	\$64,282	\$ -	\$64,282

#### c. Market risk

Market risk is the possibility that the fair value or future cash flows of NAGB's financial instruments could vary due to changes in market variables such as interest rates, exchange rates and price, and will result in losses being realized by NAGB. The objective of market risk management is to manage and control market risk exposures within parameters, while optimizing return on risk. Market risk comprises the following risks:

##### (i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The majority of NAGB's transactions and balances are denominated in Bahamian dollars. Accordingly, NAGB has no significant exposure to currency risk.

##### (ii) Interest rate risk

Interest rate risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. NAGB is subject to interest rate risk related to its savings account. NAGB has no significant exposure to interest rate risk.

##### (iii) Other price risk

NAGB is not exposed to other price risk as it does not hold financial instruments subject to market conditions.

# **NATIONAL ART GALLERY OF THE BAHAMAS**

## Notes to Financial Statements

June 30, 2019

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### **13. LITIGATION AND CLAIM**

NAGB is a defendant in a lawsuit against a former employee. No provision has been made in these financial statements relative to this matter, legal and otherwise. Management and legal counsel are of the view that any outcome will not significantly affect the results of NAGB.

### **14. CAPITAL MANAGEMENT**

NAGB manages its capital to ensure that the entity will be able to continue as a going concern through the optimization of the accumulated fund balance. There were no changes in NAGB's approach to capital management during the year. NAGB is not subject to externally imposed capital requirements.

### **15. CORRESPONDING FIGURES**

Certain of the 2018 balances have been reclassified to conform to the presentation adopted in 2019.

See Independent Auditors' Report on pages 1 to 3.