

Financial Statements of

**NATIONAL ART GALLERY OF THE BAHAMAS**

June 30, 2014

**NATIONAL ART GALLERY OF THE BAHAMAS**

Financial Statements

June 30, 2014

**C O N T E N T S**

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# BAKER TILLY GOMEZ

CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of National Art Gallery of The Bahamas ("the Art Gallery") which comprise the statement of financial position as at June 30, 2014 and the statements of revenue and expenses, changes in accumulated fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 qualified audit opinion.

## INDEPENDENT AUDITORS' REPORT (continued)

### *Basis for Qualified Opinion*

We did not observe the counting of the physical inventory as an inventory count was not taken at the year-end. We have been unable to obtain supporting documentation to confirm the existence and valuation of inventory. Consequently, we were unable to satisfy ourselves as to the nature, quantities, and propriety of the inventory and its related costs as well as its presentation in the financial statements. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventory.

### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Art Gallery as at June 30, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



**CHARTERED ACCOUNTANTS**

March 19, 2018  
Nassau, Bahamas

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Financial Position

June 30, 2014

(Expressed in Bahamian dollars)

	2014	2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 473,319	\$ 233,014
Prepaid expenses	12,000	-
Inventory	4,547	4,547
	<u>489,866</u>	<u>237,561</u>
<b>Fixed assets (Note 5)</b>	730,028	763,150
<b>Art collections</b>	518,291	518,291
	<u>\$1,738,185</u>	<u>\$1,519,002</u>
<b>LIABILITIES AND ACCUMULATED FUND</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 60,174	\$ 54,473
<b>Accumulated fund</b>		
Accumulated fund	1,678,011	1,464,529
	<u>\$1,738,135</u>	<u>\$1,519,002</u>

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

These financial statements were approved by the Board of Directors and authorized to be issued on March 19, 2018, and signed on its behalf by:



Director



Director

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Revenue and Expenses

For the year ended June 30, 2014

	2014	2013
<b>REVENUE</b>		
Government grant	\$ 894,375	\$ 700,000
Sales	52,410	52,244
Funding and donations	17,692	26,894
Management and curatorial services (Note 6)	15,000	15,000
	<u>979,477</u>	<u>794,138</u>
<b>EXPENSES</b>		
Operating and administrative expenses (Note 7)	793,134	859,613
<b>Excess of revenue over expenses/(expenses over revenue)</b>	<u>186,343</u>	<u>(65,475)</u>
Other income (Note 8)	27,139	27,915
<b>Excess of revenue over expenses/(expenses over revenue) for the year</b>	<u>\$ 213,482</u>	<u>\$ (37,560)</u>

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Changes in Accumulated Fund

For the year ended June 30, 2014

	2014	2013
<b>Balance, beginning of the year</b>	\$1,464,529	\$1,502,089
Excess of revenue over expenses/(expenses over revenue) for the year	213,482	(37,560)
<b>Balance, end of the year</b>	<b>\$1,678,011</b>	<b>\$1,464,529</b>

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Cash Flows

For the year ended June 30, 2014

	2014	2013
<b>CASH PROVIDED BY/(USED IN):</b>		
<b>Cash flows from operating activities:</b>		
Excess of revenue over expenses/(expenses over revenue) for the year	\$213,482	\$(37,560)
Adjustment to reconcile excess of revenue over expenses/(expenses over revenue) to net cash provided by/(used in) operating activities:		
Depreciation	33,122	33,122
<b>Cash provided by/(used in) operations before changes in operating assets and liabilities</b>	<b>246,604</b>	<b>(4,438)</b>
<b>(Increase)/decrease in operating assets:</b>		
Prepaid expenses	(12,000)	17,157
<b>Increase/(decrease) in operating liabilities:</b>		
Accounts payable and accrued expenses	5,701	(70,552)
<b>Net cash provided by/(used in) operating activities</b>	<b>240,305</b>	<b>(57,833)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>240,305</b>	<b>(57,833)</b>
Cash and cash equivalents, beginning of year	233,014	290,847
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$473,319</b>	<b>\$233,014</b>
<b>Represented by:</b>		
Cash and cash equivalents (Note 4)	\$473,319	\$233,014
<b>Supplemental disclosure of cash flow information:</b>		
Interest received (Note 8)	\$ 1,449	\$ 1,193

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.



# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

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### 1. GENERAL

National Art Gallery of The Bahamas, ("the Art Gallery"), was established under an act passed by Parliament of the Commonwealth of The Bahamas on July 11, 2003. The Art Gallery's primary objectives are the acquisition, preservation, maintenance and collection of works of art and the education of the public on works of art.

The Art Gallery has 11 (2013 - 13) employees as at June 30, 2014.

These financial statements were authorized to be issued by the Board of Directors on March 19, 2018.

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

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

IFRS 9 (amendment)	- Financial Instruments – effective from January 1, 2018
IFRS 14	- Regulatory Deferral Accounts – effective from January 1, 2016
IFRS 15	- Revenue from Contracts with Customers – effective from January 1, 2018
IFRS 10, 11, 12 and IAS 27 (amendments)	- Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – amendments relating to consolidation for investment entities – effective from January 1, 2014
IFRS 10, 12 and IAS 28 (amendments)	- Investment in Associates and Joint Ventures – amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and amendments regarding the application of consolidation exception – effective from January 1, 2016
IAS 19 (amendments)	- Employee Benefits – amended to clarify the requirement that relates to how contributions from employees or third parties that are linked to service should be attributed to periods of service – effective from July 1, 2014
IAS 32 (amendment)	- Financial Instruments: Presentation – amendments relating to the offsetting of financial assets and liabilities – effective from January 1, 2014
IAS 36 (amendment)	- Impairment of Assets – amendments arising from Recoverable Amount Disclosure for Non-Financial Assets – effective from January 1, 2016
IAS 38, IAS 16 (amendment)	- Intangible Assets – amendments regarding the clarification of acceptable methods of depreciation and amortization – effective from January 1, 2016
IAS 39 (amendment)	- Financial Instruments: Recognition and Measurement – amendment for novations of derivatives – effective from January 1, 2014

The Board of Directors anticipates that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the financial statements.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

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### 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 have been applied consistently to all periods presented in these financial statements.

#### (b) Basis of preparation

These financial statements have been prepared on the historical cost basis and expressed in Bahamian dollars, which is the Art Gallery's functional currency.

#### (c) Use of estimates and judgments

The preparation of financial statements in compliance with International Financial Reporting Standards 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 notes:

- Note 3(h) - Fixed assets
- Note 5 - Fixed assets
- Note 9 - Fair value of financial instruments
- Note 10 - Risk analysis

#### (d) Financial assets

The Art Gallery 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 other than those that the Art Gallery intends to sell in the short-term or that are designated as at fair value through profit and loss or available-for-sale. Cash and cash equivalents are included in this category.

#### (e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

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

(f) Inventory

Inventory 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.

(g) Art collections

Works of art comprise art collections, which when purchased are recorded at cost, and when donated are recorded at fair value at the date of the donation, as determined by the Art Gallery's curator.

(h) 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 the Art Gallery and the cost of the item can be measured reliably.

All repairs and maintenance are charged to the statement of revenue and expenses. Depreciation is determined 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 & fixtures	-	5 years

Land is not depreciated. Building improvements represent architect fees and construction costs incurred during the restoration of the Annex building. 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 revenue and expenses.

(i) Impairment

The carrying amounts of the Art Gallery's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of revenue and expenses. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

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

#### (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 measured at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. Accounts payable and accrued expenses are included in this category.

#### (k) Recognition of financial assets and liabilities

The Art Gallery 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

The Art Gallery derecognizes financial assets when the contractual rights to cash flows from the assets have expired or have been transferred and the Art Gallery has transferred substantially all the risks and rewards of ownership. 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) 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.

#### (o) Foreign currency translations

These financial statements are expressed in Bahamian dollars. Foreign currency transactions are translated into Bahamian dollars at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated at the applicable exchange rates prevailing at the reporting date. Non-monetary assets and liabilities are translated at historic rates. Exchange gains and losses are included in the statement of revenue and expenses.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

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

#### (p) Revenue and expense recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Art Gallery 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

The grant from the Government of The Bahamas is recognized as revenue when received.

##### (ii) Funding and donations

Income from funding and donations is recognized when received.

##### (iii) Sales

###### • Store sales

Revenue from store sales is recognized at the point of sale.

###### • Ticket sales

Revenue from ticket sales is recognized when tickets are issued.

##### (iv) Management and curatorial services

Revenue from management and curatorial services is recognized over the period services are rendered.

##### (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) Interest and expenses

Interest income and expenses are recognized on the accrual basis.

#### (q) Related parties

All government-owned agencies and entities, members of the Board of Directors and key management are considered related parties.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

### 4. CASH AND CASH EQUIVALENTS

As at June 30, 2014, cash and cash equivalents consist of the following:

	2014	2013
<b>Cash at bank</b>		
FirstCaribbean International Bank:		
Savings account	\$255,275	\$208,424
Current account	218,044	24,590
	<b>\$473,319</b>	<b>\$233,014</b>

The savings account earns interest at a rate of 0.25% (2013 - 0.50%) per annum.

### 5. FIXED ASSETS

Fixed assets as at June 30, 2014 are consist of the following:

	Land	Building	Building improvements	Office equipment	Furniture and fixtures	Total
<b>Cost</b>						
<b>Balance at June 30, 2013 and 2014</b>	\$384,000	\$419,750	\$242,682	\$69,826	\$41,617	\$1,157,875
<b>Accumulated depreciation</b>						
Balance at June 30, 2013	-	167,293	115,989	69,826	41,617	394,725
Charge for the year	-	20,988	12,134	-	-	33,122
<b>Balance at June 30, 2014</b>	-	188,281	128,123	69,826	41,617	427,847
<b>Net book value at June 30, 2014</b>	\$384,000	\$231,469	\$114,559	\$ -	\$ -	\$ 730,028
<b>Net book value at June 30, 2013</b>	\$384,000	\$252,457	\$126,693	\$ -	\$ -	\$ 763,150

Land and building comprise the property known as "Villa Doyle" which was purchased by the Government of The Bahamas ("the Government") for \$800,000. The property was subsequently extensively renovated at the expense of the Government and transferred to the Art Gallery at its establishment, to house the art collections. The transfer was recorded at the cost of the property.

### 6. MANAGEMENT AND CURATORIAL SERVICES

On January 13, 2011, the Art Gallery entered into an agreement with Nassau Airport Development Company Limited for management and curatorial services in respect of art and craft display cases at the Lynden Pindling International Airport. Under the agreement, the Art Gallery receives a fee for management and curatorial services of \$15,000 per annum.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

### 7. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year were as follows:

	2014	2013
Salaries and related expenses	\$365,039	\$452,056
Repairs and maintenance	75,346	51,782
Electricity	55,657	71,762
Exhibitions	55,058	48,291
Honoraria - board members	53,175	46,550
Depreciation (Note 5)	33,122	33,122
Security	26,774	28,347
Meals and refreshments	18,580	15,480
Fumigation and pest control	15,265	-
Insurance	13,973	20,157
Office supplies	13,669	14,903
Printing and office expenses	11,805	16,478
Professional fees	10,754	15,088
Miscellaneous	9,152	7,775
Workshop	6,719	812
Promotion and advertising	5,575	9,607
Travel	4,150	5,527
Telephone	3,857	3,071
Janitorial and cleaning supplies	3,639	4,011
Cable	3,110	2,894
Water and sewage	3,079	3,308
Gasoline	2,008	1,653
Art supplies	1,820	914
Bank charges	1,593	3,192
Courier and freight	215	2,833
	<u>\$793,134</u>	<u>\$859,613</u>

### 8. OTHER INCOME

Other income for the year were as follows:

	2014	2013
Facility rentals and special tours	\$ 25,690	\$ 26,722
Interest	1,449	1,193
	<u>\$ 27,139</u>	<u>\$ 27,915</u>

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2014

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### 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Art Gallery's financial assets and liabilities approximate their carrying value at the reporting date for one or both of the following reasons:

- (i) Short-term maturities;
- (ii) Interest rate approximates market rate.

### 10. RISK ANALYSIS

The Art Gallery 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. The Art Gallery is exposed to credit risk in the event that counterparties are unable or unwilling to meet commitments they entered into with the Art Gallery.

It is management's opinion that the Art Gallery is not subject to significant credit risk related to cash at bank due to regular monitoring of the financial institution where the cash is deposited.

The maximum exposure to credit risk for the Art Gallery equals the carrying value of its financial assets in the statement of financial position.

#### b. Liquidity risk

Liquidity risk is the possibility that the Art Gallery will encounter difficulty in meeting obligations associated with its financial liabilities. The Art Gallery 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 the Art Gallery's reputation.

#### c. Market risk

Market risk is the possibility that the fair value or future cash flows of the Art Gallery'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 the Art Gallery. 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 Art Gallery's transactions and balances are denominated in Bahamian dollars. Accordingly, it is not subject 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. The Art Gallery is subject to interest rate risk related to its savings account. If interest rates had been 1% higher/lower, the excess of expenses over revenue for the year would have decreased/increased by \$2,553 (2013 - \$2,084) as a result of the change in interest rates, with all other variables remaining constant.



# NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2014

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## 10. RISK ANALYSIS (continued)

### c. Market risk (continued)

#### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and other market factors. It embodies not only the potential for loss but also the potential for gain. The Art Gallery is not exposed to other price risk as it does not hold financial instruments subject to market conditions.

### d. Capital risk management

The capital structure of the Art Gallery is represented by its accumulated fund. The Art Gallery 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 the Art Gallery's approach to capital management during the year. The Art Gallery is not subject to externally imposed capital requirements.

See Independent Auditors' Report on pages 1 and 2.