

Financial Statements of

**NATIONAL ART GALLERY OF THE BAHAMAS**

June 30, 2017

# NATIONAL ART GALLERY OF THE BAHAMAS

Financial Statements

June 30, 2017

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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, 2017, and the statements of revenue and expenses, changes in accumulated fund 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 the NAGB as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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 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 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 the 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 the 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 the 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.

  
**CHARTERED ACCOUNTANTS**

September 17, 2018  
Nassau, Bahamas

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Financial Position

June 30, 2017

(Expressed in Bahamian dollars)

|   | 2017               | 2016               |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                     |                    |                    |
| <b>Current assets</b>                             |                    |                    |
| Cash and cash equivalents (Note 4)                | \$ 526,147         | \$ 579,813         |
| Grants receivable (Note 5(a))                     | 99,000             | -                  |
| Prepaid expenses                                  | 67,000             | 12,000             |
| Inventory   | 4,547              | 4,547              |
|   | <u>696,694</u>     | <u>596,360</u>     |
| <b>Fixed assets (Note 6)</b>                      |                    |                    |
| Art collections                                   | 725,491            | 697,984            |
|   | <u>518,291</u>     | <u>518,291</u>     |
|   | <u>\$1,940,476</u> | <u>\$1,812,635</u> |
| <b>LIABILITIES AND ACCUMULATED FUND</b>           |                    |                    |
| <b>Current liabilities</b>                        |                    |                    |
| Accounts payable and accrued expenses (Note 5(c)) | \$ 86,735          | \$ 67,313          |
| <b>Accumulated fund</b>                           |                    |                    |
| Accumulated fund                                  | 1,853,741          | 1,745,322          |
|   | <u>\$1,940,476</u> | <u>\$1,812,635</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 September 17, 2018 and signed on its behalf by the following:

  
Director

  
Director

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Revenue and Expenses

For the year ended June 30, 2017

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>REVENUE</b>   |                   |                   |
| Government grant (Note 5(a))                               | \$1,188,000       | \$1,089,000       |
| Ticket and gift shop sales                                 | 80,131            | 89,269            |
| Funding and donations                                      | 9,718             | 56,197            |
| Management and curatorial services (Note 5(b))             | -                 | 7,500             |
|  | <u>1,277,849</u>  | <u>1,241,966</u>  |
| <b>EXPENSES</b>  |                   |                   |
| Operating and administrative expenses (Notes 5, 7)         | 1,202,287         | 1,095,439         |
|  | <u>75,562</u>     | <u>146,427</u>    |
| <b>Excess of revenue over expenses before other income</b> |                   |                   |
| Other income (Note 8)                                      | 32,857            | 16,009            |
|  | <u>\$ 108,419</u> | <u>\$ 162,536</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, 2017

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>Balance, beginning of the year</b>        | \$1,745,322        | \$1,582,786        |
| Excess of revenue over expenses for the year | 108,419            | 162,536            |
| <b>Balance, end of the year</b>              | <b>\$1,853,741</b> | <b>\$1,745,322</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, 2017

|   | 2017             | 2016             |
|---|------------------|------------------|
| <b>CASH PROVIDED BY/(USED IN):</b>  |                  |                  |
| <b>Cash flows from operating activities:</b>  |                  |                  |
| Excess of revenue over expenses for the year  | \$108,419        | \$162,536        |
| Adjustment to reconcile excess of revenue over expenses to net cash provided by operating activities: |                  |                  |
| Depreciation  | 47,632           | 42,366           |
| Interest income   | (669)            | (752)            |
| <b>Cash provided by operations before changes in operating assets and liabilities</b>                 | <b>155,382</b>   | <b>204,150</b>   |
| <b>Decrease/(increase) in operating assets</b>  |                  |                  |
| (Increase) in grants receivable   | (99,000)         | -                |
| Decrease in accounts receivable   | -                | 8,062            |
| (Increase) in prepaid expenses  | (55,000)         | -                |
| Interest received   | 669              | 752              |
| <b>Increase in operating liabilities</b>  |                  |                  |
| Increase in accounts payable and accrued expenses   | 19,422           | 8,894            |
| <b>Net cash provided by operating activities</b>  | <b>21,473</b>    | <b>221,858</b>   |
| <b>Cash flows from investing activities:</b>  |                  |                  |
| Additions to fixed assets   | (75,139)         | (11,152)         |
| <b>Net cash used in investing activities</b>  | <b>(75,139)</b>  | <b>(11,152)</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <b>(53,666)</b>  | <b>210,706</b>   |
| Cash and cash equivalents, beginning of year  | 579,813          | 369,107          |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$526,147</b> | <b>\$579,813</b> |
| <b>Represented by:</b>  |                  |                  |
| Cash and cash equivalents (Note 4)  | \$526,147        | \$579,813        |

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



# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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### 1. GENERAL

National Art Gallery of The Bahamas, ("NAGB"), was established under an 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 September 17, 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 (the "IASB") and the International Financial Reporting Standards Interpretations Committee of the IASB have not been applied in these financial statements as they are not yet effective:

|                        |   |   |
|------------------------|---|---|
| IFRS 2<br>(amendments) | - | Share-based Payment - amendments for clarifications on classification and measurement of share-based payment transactions - effective from January 1, 2018                      |
| IFRS 9                 | - | Financial Instruments - effective from January 1, 2018  |
| IFRS 15                | - | Revenue from Contracts with Customers - effective from January 1, 2018  |
| IFRS 16                | - | Leases - effective from January 1, 2019   |
| IAS 7<br>(amendments)  | - | Statement of Cash Flows (Disclosure Initiative) - amendments to require disclosure of changes in liabilities arising from financing activities - effective from January 1, 2017 |

The Board of Directors have concluded that the adoption of these standards and amendments is unlikely to have a significant impact 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.

#### (b) Basis of measurement

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

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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

#### (c) Functional and reporting currency

The financial statements are expressed in Bahamian dollars, which is NAGB's functional 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 3(k) - Impairment of assets
- Note 9 - Fair value of financial instruments
- Note 10 - Risk analysis

#### (e) Financial assets

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 other than 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 amortised cost, using the effective interest method less any impairment losses. Cash and cash equivalents and grants receivable balances are included in this classification.

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

#### (g) Grants receivable

Grants receivable represent the total amount to be collected from the Government as at the reporting date.

#### (h) 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.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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

#### (i) 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 NAGB's curator.

#### (j) 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 revenue and expenses.

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 & 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 revenue and expenses.

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 revenue and expenses.

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 revenue and expenses. 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.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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

#### (k) Impairment of assets

The carrying amounts of NAGB's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. An impairment loss on an asset carried at amortized cost is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the combined statement of comprehensive income. 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 if no impairment loss had been recognized.

#### (l) 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. 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.

#### (m) 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.

#### (n) 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.

#### (o) 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.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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

(p) Related parties

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.

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.

(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.

(ii) Funding and donations

Income from funding and donations is recognized when received.

(iii) 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.

(iv) Management and curatorial services

In the prior year, the revenue from management and curatorial services was 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) Expenses

Expenses are recognized on the accrual basis.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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

(r) 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.

(s) 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 retranslated 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.

### 4. CASH AND CASH EQUIVALENTS

As at June 30, 2017, cash and cash equivalents consist of the following:

|                                    | 2017             | 2016             |
|------------------------------------|------------------|------------------|
| <b>Cash at bank</b>                |                  |                  |
| FirstCaribbean International Bank: |                  |                  |
| Savings account                    | \$326,822        | \$358,895        |
| Current accounts                   | 199,325          | 220,918          |
|                                    | <u>\$526,147</u> | <u>\$579,813</u> |

The savings account earns interest at a rate of 0.05% (2016 - 0.05%) per annum.

### 5. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include:

- (a) The Government is the ultimate controlling party of NAGB. NAGB receives annual grants from the Government. As at June 30, 2017, the grants receivable amounted to \$99,000.
- (b) In the prior year, NAGB had an agreement with Nassau Airport Development Company Limited ("NAD"), for management and curatorial services in respect of art and craft display cases at the Lynden Pindling International Airport. NAD is a related party by virtue of common owner. The agreement was terminated in the prior year.
- (c) General operating expenses include utility charges from Bahamas Electricity Corporation ("BEC") Bahamas Telecommunication Co. ("BTC"), Water and Sewerage Corporation ("WSC"). These entities are related parties by virtue of being owned, either wholly or partially, by the Government. Amounts due to these parties are included in accounts payable and accrued expenses.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

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

(c) Continued

As a quasi-governmental entity, NAGB reports under the Ministry of Youth, Sports & Culture. During the year, the Government through the Ministry of Finance, implemented a policy whereby all government institutions and quasi-governmental entities holding outstanding balances with BEC, and balances are to be directly settled by the Government. Subsequently, the Government covers all NAGB's electricity bills.

(d) The Board of Directors and key management.

As at June 30, 2017, the related party balances are as follows:

|                                       | Notes | 2017      | 2016     |
|---------------------------------------|-------|-----------|----------|
| <b>ASSETS</b>                         |       |           |          |
| Grants receivable                     | (a)   | \$ 99,000 | \$ -     |
| <b>LIABILITIES</b>                    |       |           |          |
| Accounts payable and accrued expenses | (c)   | \$ 14,110 | \$ 5,188 |

Related party transactions for the year were as follows:

|                                    | Notes   | 2017        | 2016        |
|------------------------------------|---------|-------------|-------------|
| <b>REVENUE</b>                     |         |             |             |
| Government grant                   | (a)     | \$1,188,000 | \$1,089,000 |
| Management and curatorial services | (b)     | -           | 7,500       |
|                                    |         | \$1,188,000 | \$1,096,500 |
| <b>EXPENSES</b>                    |         |             |             |
| Salaries and related expenses      | 5(d), 7 | \$ 75,000   | \$ 86,250   |
| Honoraria - board members          | 5(d), 7 | 53,825      | 49,450      |
| Telephone                          | 5(c), 7 | 9,529       | 5,685       |
| Water and sewage                   | 5(c), 7 | 4,503       | 3,543       |
| Electricity                        | 5(c), 7 | -           | 19,621      |
|                                    |         | \$ 142,857  | \$ 164,549  |

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

### 6. FIXED ASSETS

As at June 30, 2017, fixed assets consist of the following:

|                                 | Land      | Building  | Building improvements | Office equipment | Furniture and fixtures | Total       |
|---------------------------------|-----------|-----------|-----------------------|------------------|------------------------|-------------|
| <b>Cost</b>                     |           |           |                       |                  |                        |             |
| Balance at June 30, 2015        | \$384,000 | \$419,750 | \$242,682             | \$ 85,418        | \$60,887               | \$1,192,737 |
| Additions                       | -         | -         | -                     | 5,453            | 5,699                  | 11,152      |
| Balance at June 30, 2016        | 384,000   | 419,750   | 242,682               | 90,871           | 66,586                 | 1,203,889   |
| Additions                       | -         | -         | 53,039                | 18,855           | 3,245                  | 75,139      |
| Balance at June 30, 2017        | 384,000   | 419,750   | 295,721               | 109,726          | 69,831                 | 1,279,028   |
| <b>Accumulated depreciation</b> |           |           |                       |                  |                        |             |
| Balance at June 30, 2015        | -         | 209,269   | 140,257               | 70,469           | 43,544                 | 463,539     |
| Charge for the year             | -         | 20,988    | 12,134                | 5,295            | 3,949                  | 42,366      |
| Balance at June 30, 2016        | -         | 230,257   | 152,391               | 75,764           | 47,493                 | 505,905     |
| Charge for the year             | -         | 20,988    | 13,200                | 8,234            | 5,210                  | 47,632      |
| Balance at June 30, 2017        | -         | 251,245   | 165,591               | 83,998           | 52,703                 | 553,537     |
| <b>Net book value at</b>        |           |           |                       |                  |                        |             |
| June 30, 2017                   | \$384,000 | \$168,505 | \$130,130             | \$ 25,728        | \$17,128               | \$ 725,491  |
| <b>Net book value at</b>        |           |           |                       |                  |                        |             |
| June 30, 2016                   | \$384,000 | \$189,493 | \$ 90,291             | \$ 15,107        | \$19,093               | \$ 697,984  |



# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2017

### 7. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year were as follows:

|   | 2017        | 2016        |
|---|-------------|-------------|
| Salaries and related expenses (Note 5(d)) | \$ 540,404  | \$ 501,890  |
| Repairs and maintenance                   | 138,554     | 91,677      |
| Exhibitions                               | 69,678      | 89,175      |
| Office supplies                           | 57,737      | 33,896      |
| Honoraria - board members (Note 5(d))     | 53,825      | 49,450      |
| Depreciation (Note 6)                     | 47,632      | 42,366      |
| Meals and refreshments                    | 31,126      | 17,559      |
| Promotion and advertising                 | 28,416      | 29,361      |
| Security                                  | 27,759      | 26,123      |
| Printing and office expenses              | 27,508      | 29,379      |
| Travel                                    | 25,217      | 14,766      |
| Legal and professional fees               | 22,596      | 14,920      |
| Miscellaneous                             | 21,041      | 10,212      |
| Art supplies                              | 17,106      | 12,455      |
| Insurance                                 | 16,851      | 16,851      |
| Workshop                                  | 15,955      | 20,922      |
| Janitorial and cleaning                   | 15,792      | 10,420      |
| Courier and freight                       | 15,137      | 24,485      |
| Telephone (Note 5(c))                     | 9,529       | 5,685       |
| Bank charges                              | 6,966       | 9,059       |
| Gasoline                                  | 5,062       | 1,438       |
| Water and sewage (Note 5(c))              | 4,503       | 3,543       |
| Cable                                     | 3,893       | 3,143       |
| Electricity (Note 5(c))                   | -           | 19,621      |
| Fumigation and pest control               | -           | 17,043      |
|   | \$1,202,287 | \$1,095,439 |

### 8. OTHER INCOME

Other income for the year were as follows:

|                                    | 2017     | 2016     |
|------------------------------------|----------|----------|
| Facility rentals and special tours | \$26,073 | \$15,257 |
| Others                             | 6,115    | -        |
| Interest income                    | 669      | 752      |
|                                    | \$32,857 | \$16,009 |

# NATIONAL ART GALLERY OF THE BAHAMAS

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## 9. 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.

## 10. 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, 2017. 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, 2017, 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:

|                           | 2017             | 2016             |
|---------------------------|------------------|------------------|
| <b>Financial assets</b>   |                  |                  |
| Cash and cash equivalents | \$526,147        | \$579,813        |
| Grants receivable         | 99,000           | -                |
|                           | <u>\$625,147</u> | <u>\$579,813</u> |

### 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.

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### 10. RISK ANALYSIS (continued)

#### b. Liquidity risk (continued)

The following table details NAGB's expected contractual maturities for its financial liabilities as at June 30, 2017 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.

|                                       | 2017           |                 |           |
|---------------------------------------|----------------|-----------------|-----------|
|                                       | 1 – 30<br>days | Over 30<br>Days | Total     |
| <b>Financial liabilities</b>          |                |                 |           |
| Accounts payable and accrued expenses | \$ 86,735      | \$ -            | \$ 86,735 |

  

|                                       | 2016           |                 |           |
|---------------------------------------|----------------|-----------------|-----------|
|                                       | 1 – 30<br>Days | Over 30<br>Days | Total     |
| <b>Financial liabilities</b>          |                |                 |           |
| Accounts payable and accrued expenses | \$ 67,313      | \$ -            | \$ 67,313 |

#### 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. If interest rates had been 1% higher/lower, the excess of expenses over revenue for the year would have decreased/increased by \$3,268 (2016 - \$3,589) because of the change in interest rates, with all other variables remaining constant.

##### (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

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## 11. 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.

See Independent Auditors' Report on pages 1 and 2.