

Financial Statements of

NATIONAL ART GALLERY OF THE BAHAMAS

June 30, 2018

NATIONAL ART GALLERY OF THE BAHAMAS

Financial Statements

June 30, 2018

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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, 2018, 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 the NAGB as at June 30, 2018, 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 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.

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.

**CHARTERED ACCOUNTANTS**

April 25, 2019
Nassau, Bahamas

NATIONAL ART GALLERY OF THE BAHAMAS

Statement of Financial Position

June 30, 2018

(Expressed in Bahamian dollars)


	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	\$ 638,785	\$ 526,147
Grants receivable (Note 5(a))	-	99,000
Prepaid expenses and other assets	4,323	67,000
Inventories	15,812	4,547
Total current assets	658,920	696,694
Fixed assets (Note 6)	1,106,008	725,491
Art collections (Note 7)	573,291	518,291
Total assets	\$2,338,219	\$1,940,476
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses (Note 5(b))	\$ 64,282	\$ 86,735
Net assets		
Unrestricted funds	1,868,947	1,853,741
Restricted funds (Note 10)	404,990	-
Total net assets	2,273,937	1,853,741
Total liabilities and net assets	\$2,338,219	\$1,940,476

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 April 25, 2019 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, 2018

	2018	2017
REVENUE		
Government grant (Note 5(a))	\$1,188,000	\$1,188,000
Ticket and gift shop sales	68,695	80,131
Funding and donations	33,809	9,718
Private grant released and recognized as revenue (Note 10)	10,384	-
	1,300,888	1,277,849
EXPENSES		
Operating and administrative expenses (Notes 5, 8)	1,326,180	1,202,287
Net (loss)/income before other income	(25,292)	75,562
Other income (Note 9)	40,498	32,857
Net income and total comprehensive income	\$ 15,206	\$ 108,419

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, 2018

	Unrestricted Funds	Restricted Funds	Total Net Assets
Balance as at June 30, 2016	\$1,745,322	\$ -	\$1,745,322
Increase in net income for the year	108,419	-	108,419
Balance as at June 30, 2017	1,853,741	-	1,853,741
Increase in net income for the year	15,206	-	15,206
Private grants received for the year (Note 10)	-	415,374	415,374
Funds released to revenue during the year (Note 10)		(10,384)	(10,384)
Balance as at June 30, 2018	\$1,868,947	\$404,990	2,273,937

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, 2018

	2018	2017
CASH PROVIDED BY/(USED IN):		
Cash flows from operating activities:		
Net operating income	\$ 15,206	\$108,419
Adjustment to reconcile net operating income to net cash provided by operating activities:		
Depreciation	67,221	47,632
Interest income	(187)	(669)
Private grant released and recognized as revenue	(10,384)	-
Cash provided by operations before changes in operating assets and liabilities	71,856	155,382
Decrease/(increase) in operating assets		
Decrease/(increase) in grants receivable	99,000	(99,000)
Decrease/(increase) in prepaid expenses	62,677	(55,000)
Increase in inventories	(11,265)	-
Interest received	187	669
Increase in operating liabilities		
(Decrease)/increase in accounts payable and accrued expenses	(22,453)	19,422
Net cash provided by operating activities	200,002	21,473
Cash flows from investing activities:		
Additions to fixed assets	(447,738)	(75,139)
Additions to art collections	(55,000)	-
Net cash used in investing activities	(502,738)	(75,139)
Cash flows from financing activities:		
Restricted funds received	415,374	-
Net cash provided by financing activities	415,374	-
Net increase/(decrease) in cash and cash equivalents	112,638	(53,666)
Cash and cash equivalents, beginning of year	526,147	579,813
CASH AND CASH EQUIVALENTS, END OF YEAR	\$638,785	\$526,147
Represented by:		
Cash and cash equivalents (Note 4)	\$638,785	\$526,147

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

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

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 April 25, 2019.

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

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

IFRS 2 (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 (amendments)	-	Statement of Cash Flows (Disclosure Initiative) - amendments to require disclosure of changes in liabilities arising from financing activities - effective from January 1, 2017
IFRIC 22	-	Foreign Currency Transactions and Advance Consideration – effective from January 1, 2018

The board of directors are in the process of determining the impact of the adoption of such standards, amendments to the existing standards or NAGB's interpretations to 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, 2018

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 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 3(k) - Impairment of assets
- Note 6 - Fixed assets
- Note 11 - Fair value of financial instruments
- Note 12 - 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, 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 amortised cost, using the effective interest method less any impairment losses. Balances included in this classification are cash and cash equivalents and grants receivable balances.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

(g) Grants receivable

In the prior year, grants receivable represent the total amount to be collected from the Government as at the reporting date.

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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 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 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 & 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.

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

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 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.

(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.

(p) 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.

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Unrestricted funds

Unrestricted funds are not subject to donor-imposed stipulations.

(r) 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.

(s) 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) Facility rentals

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

(v) Special tours

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

(vi) Expenses

Expenses are recognized on the accrual basis.

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

4. CASH AND CASH EQUIVALENTS

As at June 30, 2018, cash and cash equivalents consist of the following:

	2018	2017
Cash at bank		
FirstCaribbean International Bank:		
Savings account	\$427,734	\$326,822
Current accounts	211,051	199,325
	<u>\$638,785</u>	<u>\$526,147</u>

The savings account earns interest at a rate of 0.05% (2017 - 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. In the prior year, the grants receivable amounted to \$99,000.
- (b) 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.

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

- (c) The Board of Directors, key management and the Friends of the Arts in The Bahamas Foundation ("the FAB Foundation").

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

5. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at June 30, 2018, the related party balances are as follows:

	Notes	2018	2017
ASSETS			
Grants receivable	(a)	\$ -	\$ 99,000
LIABILITIES			
Accounts payable and accrued expenses	(b)	\$ -	\$ 14,110

Related party transactions for the year were as follows:

	Notes	2018	2017
REVENUE			
Government grant	(a)	\$1,188,000	\$1,188,000
EXPENSES			
Salaries and related expenses	5(c), 8	\$ 75,000	\$ 75,000
Honoraria - board members	5(c), 8	42,800	53,825
Telephone	5(b), 8	13,117	9,529
Water and sewage	5(b), 8	4,923	4,503
		\$ 135,840	\$ 142,857

6. FIXED ASSETS

As at June 30, 2018, fixed assets consist of the following:

	Land	Building	Building improvements	Office equipment	Furniture and fixtures	Total
Cost						
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
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
Accumulated depreciation						
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
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
Net book value at June 30, 2018	\$384,000	\$147,517	\$528,587	\$28,719	\$17,185	\$ 1,106,008
Net book value at June 30, 2017	\$384,000	\$168,505	\$130,130	\$25,728	\$17,128	\$ 725,491

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

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 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, 2018, the cost value of the art collection was \$573,291 (2017 - \$518,291).

8. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year were as follows:

	2018	2017
Salaries and related expenses (Note 5)	\$ 589,753	\$ 540,404
Repairs and maintenance	195,232	138,554
Depreciation (Note 6)	67,221	47,632
Exhibitions	65,847	69,678
Legal and professional fees	57,619	22,596
Office supplies	55,111	57,737
Honoraria - board members (Note 5)	42,800	53,825
Security	32,443	27,759
Workshop	32,244	15,955
Printing and office expenses	28,011	27,508
Promotion and advertising	24,874	28,416
Meals and refreshments	23,939	31,126
Travel	21,070	25,217
Insurance	16,704	16,851
Courier and freight	16,263	15,137
Telephone (Note 5)	13,117	9,529
Janitorial and cleaning	12,361	15,792
Bank charges	9,274	6,966
Miscellaneous	8,068	21,041
Art supplies	5,941	17,106
Water and sewage (Note 5)	4,923	4,503
Cable	3,211	3,893
Gasoline	154	5,062
	\$1,326,180	\$1,202,287

9. OTHER INCOME

Other income for the year were as follows:

	2018	2017
Facility rentals and special tours	\$ 32,143	\$ 26,073
Others	8,168	6,115
Interest income	187	669
	\$ 40,498	\$ 32,857

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

10. RESTRICTED FUNDS

During the year, NAGB received funding of \$415,374, from the Friends of the Arts in The Bahamas Foundation ("FAB Foundation"). FAB Foundation is related to NAGB, by virtue of common directors. FAB received funding from private grants and from the Albeck Family to assist NAGB with the construction of the "Fiona Amphitheatre" on NAGB's grounds. The Fiona Amphitheatre was opened in December 2017.

The private grant, included in restricted funds, as at June 30, 2018, are as follows:

	2018
Balance at beginning of year	\$ -
Private grants received during the year	415,374
Private grant released and recognized as revenue	(10,384)
Balance at end of year	\$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, 2018. 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, 2018, 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:

	2018	2017
Financial assets		
Cash and cash equivalents	\$638,785	\$526,147
Grants receivable	-	99,000
	\$638,785	\$625,147

NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2018

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, 2018 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.

	2018		Total
	1 – 30 days	Over 30 Days	
Financial liabilities			
Accounts payable and accrued expenses	\$64,282	\$ -	\$64,282

	2017		Total
	1 – 30 days	Over 30 Days	
Financial liabilities			
Accounts payable and accrued expenses	\$86,735	\$ -	\$86,735

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, 2018

13. LITIGATION AND CLAIMS

NAGB is a defendant in a number of lawsuits. Management has made provisions for those actions where it feels that the eventual outcome will not be in its favor. No provision been made in these financial statements relative to those matters, legal and otherwise, that management feels will not significantly affect NAGB's results.

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.

See Independent Auditors' Report on pages 1 to 3.