

Financial Statements of

**NATIONAL ART GALLERY OF THE BAHAMAS**

June 30, 2020

# **NATIONAL ART GALLERY OF THE BAHAMAS**

## **Financial Statements**

June 30, 2020

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

	<b>Page</b>
Independent Auditors' Report	1 - 3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 20

The Deanery  
#28 Cumberland Street  
P.O. Box N-1991  
Nassau, The Bahamas

**T:** +1 (242) 356-4114  
**F:** +1 (242) 356-4125

info@bakertilly.bs  
**www.bakertilly.bs**

## 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, 2020, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NAGB as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing NAGB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate NAGB or to cease operations, or has no realistic alternative but to do so.

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

**INDEPENDENT AUDITORS' REPORT (continued)***Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NAGB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NAGB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause NAGB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

*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**

December 7, 2020  
Nassau, Bahamas

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Financial Position

June 30, 2020

(Expressed in Bahamian dollars)

	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash at bank (Note 4)	\$ 885,708	\$ 765,841
Other receivable	81,453	36,148
Inventories	24,981	39,055
Grants and subsidy receivable (Note 5(c))	-	29,706
<b>Total current assets</b>	<b>992,142</b>	<b>870,750</b>
Fixed assets (Note 6)	1,226,094	1,110,147
Art collections (Note 7)	574,131	574,131
<b>Total assets</b>	<b>\$2,792,367</b>	<b>\$2,555,028</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Note 5(c))	\$ 32,520	\$ 54,611
Deferred private grants (Note 10)	439,452	438,924
<b>Total liabilities</b>	<b>471,972</b>	<b>493,535</b>
<b>Net assets</b>	<b>2,320,395</b>	<b>2,061,493</b>
<b>Total liabilities and net assets</b>	<b>\$2,792,367</b>	<b>\$2,555,028</b>

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

These financial statements were approved by the Board of Directors and authorized to be issued on December 7, 2020 and signed on its behalf by the following:



Director



Director

# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Comprehensive Income

For the year ended June 30, 2020

	2020	2019
<b>REVENUE</b>		
Government grant (Note 5(a))	\$1,600,000	\$1,550,000
Private grants released (Note 10)	39,472	22,342
Funding and donations	27,441	40,792
Ticket and gift shop sales, net	20,296	38,596
Government subsidy (Note 5(c))	6,596	127,506
	<b>1,693,805</b>	<b>1,779,236</b>
<b>EXPENSES</b>		
Operating and administrative expenses (Notes 5(b), 8)	1,457,876	1,621,262
<b>Net income before other income</b>	<b>235,929</b>	<b>157,974</b>
<b>Other income (Note 9)</b>	<b>22,973</b>	<b>34,572</b>
<b>Net income and total comprehensive income</b>	<b>\$ 258,902</b>	<b>\$ 192,546</b>

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, 2020

	<b>Net Assets</b>
<b>Balance as at June 30, 2018</b>	<b>\$1,868,947</b>
Total comprehensive income	192,546
<b>Balance as at June 30, 2019</b>	<b>2,061,493</b>
Total comprehensive income	258,902
<b>Balance as at June 30, 2020</b>	<b>\$2,320,395</b>

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



# NATIONAL ART GALLERY OF THE BAHAMAS

## Statement of Cash Flows

For the year ended June 30, 2020

	2020	2019
<b>CASH PROVIDED BY/(USED IN):</b>		
<b>Cash flows from operating activities:</b>		
Net income	\$ 258,902	\$ 192,546
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	68,472	105,358
Interest income	(250)	(223)
Private grants released	(39,472)	(22,342)
<b>Cash provided by operations before changes in operating assets and liabilities</b>	<b>287,652</b>	<b>275,339</b>
<b>Decrease/(increase) in operating assets</b>		
Grants and subsidy receivable	29,706	(29,706)
Other receivable	(45,308)	(31,825)
Inventories	14,075	(23,243)
Interest received	250	223
<b>(Increase)/decrease in operating liabilities</b>		
Accounts payable and accrued expenses	(22,088)	(9,671)
Deferred private grants	70,575	-
<b>Net cash provided by operating activities</b>	<b>334,862</b>	<b>181,117</b>
<b>Cash flows from investing activities:</b>		
Additions to fixed assets	(184,419)	(109,497)
Additions to art collections	-	(840)
<b>Net cash used in investing activities</b>	<b>(184,419)</b>	<b>(110,337)</b>
<b>Net increase in cash and cash equivalents</b>	<b>150,443</b>	<b>70,780</b>
Cash and cash equivalents, beginning of year	709,565	638,785
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 860,008</b>	<b>\$ 709,565</b>
<b>Represented by:</b>		
Cash at bank (Note 4)	\$ 885,708	\$ 765,841
Less: Amounts relating to deferred private grants	(25,700)	(56,276)
	<b>\$ 860,008</b>	<b>\$ 709,565</b>

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

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

---

### 1. GENERAL

National Art Gallery of The Bahamas, ("NAGB"), was established under the National Art Gallery of The Bahamas Act, 2003 of the Commonwealth of The Bahamas on July 11, 2003 as a non-profit, quasi-governmental corporation to provide for the acquisition, preservation and maintenance of collections of Bahamian works of art. Additionally, NAGB is mandated to provide for public education to foster and encourage public interest in these 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 December 7, 2020.

### 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") have not been applied in these financial statements as they are not yet effective:

- IFRS 3 (amendments) - Business Combinations - clarifying the definition of a business - effective from January 1, 2020
- IFRS 9, IAS 39 and IFRS 7 (amendments) - Interest Rate Benchmark Reform - effective from January 1, 2020
- IFRS 17 - Insurance Contracts - effective from January 1, 2021
- IAS 1 (amendments) - Classification of Liabilities as Current and Non-current - effective from January 1, 2022
- IAS 1 and IAS 8 (amendments) - Definition of Material - effective from January 1, 2020

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

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

Certain comparative amounts in the statements of financial position, changes in net assets and cash flows have been reclassified as a result of changes in accounting policies (See Note 16).

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

---

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

(b) Basis of measurement

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

(c) Functional and reporting currency

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

(d) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

- Note 10 - Deferred private grants
- Note 11 - Fair value of financial instruments
- Note 12 - Risk analysis

(e) Financial assets – classification and subsequent measurement

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

- Financial assets at amortized cost

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank less amounts relating to deferred private grants.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2019

---

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

#### (g) Art collections

Works of art comprise art collections, which when purchased are recorded at cost, and when donated are recorded at the estimated market value at the date of the donation, as determined by NAGB's chief 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 NAGB and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income as incurred.

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

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

Land and construction in progress are not depreciated. Building improvements represent architect fees and construction costs incurred during the restoration of NAGB's buildings.

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, 2020

---

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

### (i) Financial liabilities

Financial liabilities are classified as other financial liabilities:

- Other financial liabilities

Other financial liabilities 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 payments through the expected life of the financial liability, or where appropriate, a shorter period. Accounts payable and accrued expenses are included in this category.

### (j) 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.

### (k) 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.

### (l) 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.

### (m) 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 the Board of Directors of NAGB.

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.

### (n) Net assets

Net assets represent the unrestricted, accumulated funds of NAGB.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

---

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

(o) Deferred private grants

Deferred private grants represent funds received by NAGB from private donors for specific purposes as established by the donors. Deferred private grants related to income are recognized in the statement of comprehensive income on a systematic basis over the periods in which NAGB recognizes, as expenses, the related costs for which the private grants are intended to compensate. Deferred private grants related to depreciable assets are recognized in the statement of comprehensive income over the periods and in the proportions in which depreciation expense on those assets is recognized. These amounts in the statement of comprehensive income are included in deferred private grants released.

(p) Revenue and expense recognition

Revenue and expenses are recognized on the following basis:

(i) Government grant

Government grants represent amounts received from the Government of The Bahamas ("the Government") to underwrite the operating expenses of NAGB. Government grants are recognized in the statement of comprehensive income in the period which they are received or when there is reasonable assurance that they will be received from the Government.

(ii) Government subsidy

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

(iii) Funding and other donations

Income from funding and other donations is recognized when received.

(iv) Ticket and gift shop sales

Revenue from ticket sales is recognized when tickets are issued. Revenue from shop sales is recognized at the point of sale, net of cost of sales.

(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, 2020

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

#### (g) 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.

#### (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.

### 4. CASH AT BANK

As at June 30, 2020, cash at bank consist of the following:

	2020	2019
<b>Cash at bank</b>		
FirstCaribbean International Bank:		
Savings account	\$504,450	\$488,079
Current accounts	381,258	277,762
	<b>\$885,708</b>	<b>\$765,841</b>

The savings account earns interest at a rate of 0.05% (2019 - 0.05%) per annum.

### 5. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include:

- (a) Government grants received during the year amounted to \$1,600,000 (2019 - \$1,550,000).
- (b) Operating and administrative expenses include electricity expenses from BPL, telephone expenses from BTC and water and sewerage from Water and Sewerage Corporation. These entities are related parties by virtue of being owned, either wholly or in part, by the Government.
- (c) As a quasi-governmental entity, NAGB is under the direction of the Ministry of Youth, Sports & Culture (the "Ministry"). From time to time, the Government, through the Ministry, settles a portion of NAGB's outstanding payables with BPL. In 2020, NAGB recognized the net balance with BPL, paid by the Government on its behalf, as a government subsidy of \$6,596 (2019 - \$127,506) in the statement of comprehensive income.
- (d) The Government selects most of the members of NAGB Board of Directors and provides most of the revenue through annual grants.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

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

- (e) The Board of Directors, key management personnel and the Friends of the Arts in The Bahamas Foundation ("the FAB Foundation"). The FAB Foundation and NAGB are related by virtue of common directors.

As at June 30, 2020, related party transactions and balances for the year were as follows:

	Notes	2020	2019
<b>ASSETS</b>			
Grant and subsidy receivable	5(c)	\$ -	\$ 29,706
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	5(c)	\$ 19,340	\$ 29,706
<b>REVENUE</b>			
Government grant	5(a)	\$1,600,000	\$1,550,000
Government subsidy	5(c)	6,596	127,506
		\$1,606,596	\$1,677,506
<b>EXPENSES</b>			
Salaries and related expenses			
Key management personnel	8	\$ 87,000	\$ 75,000
Electricity	5(b), 5(c), 8	64,601	80,626
Directors' honorarium	5(d), 8	49,250	41,100
Telephone	5(b), 8	16,854	15,395
Water and sewerage	5(b), 8	6,205	4,944
		\$ 223,910	\$ 217,065



# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

### 6. FIXED ASSETS

As at June 30, 2020, fixed assets consist of the following:

	Land	Building	Building improvements	Construction in progress	Office equipment	Furniture and fixtures	Total
<b>Cost</b>							
Balance at June 30, 2018	\$384,000	\$419,750	\$719,398	\$ -	\$127,787	\$75,831	\$1,726,766
Additions	-	-	59,860	49,637	-	-	109,497
Balance at June 30, 2019	384,000	419,750	779,258	49,637	127,787	75,831	1,836,263
Additions	-	-	146,110	8,960	27,949	1,400	184,419
Balance at June 30, 2020	384,000	419,750	925,368	58,597	155,736	77,231	2,020,682
<b>Accumulated depreciation</b>							
Balance at June 30, 2018	-	272,233	190,811	-	99,068	58,646	620,758
Charge for the year	-	20,988	58,400	-	19,127	6,843	105,358
Balance at June 30, 2019	-	293,221	249,211	-	118,195	65,489	726,116
Charge for the year	-	20,988	42,432	-	4,680	372	68,472
Balance at June 30, 2020	-	314,209	291,643	-	122,875	65,861	794,588
<b>Net book value at June 30, 2020</b>	<b>\$384,000</b>	<b>\$105,541</b>	<b>\$633,725</b>	<b>\$58,597</b>	<b>\$ 32,861</b>	<b>\$11,370</b>	<b>\$1,226,094</b>
<b>Net book value at June 30, 2019</b>	<b>\$384,000</b>	<b>\$126,529</b>	<b>\$530,047</b>	<b>\$49,637</b>	<b>\$ 9,592</b>	<b>\$10,342</b>	<b>\$1,110,147</b>

### 7. ART COLLECTIONS

The Board of Directors resolved to obtain a valuation of the art collections as at June 30, 2020 and engaged Mr. Jay Koment, an art dealer of New Providence Art & Antiques, to perform an appraisal. Based on Mr. Koment's appraisal report, the art collections were valued at \$1,524,600, using the market based approach.

Subsequent to reviewing the results of the appraisal, the Board of Directors concluded that NAGB will continue to measure its art collections based on cost. At June 30, 2020, the cost of the art collections was \$574,131 (2019 - \$574,131).

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

### 8. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year were as follows:

	2020	2019
Salaries and related expenses (Note 5(d))	\$ 705,626	\$ 635,158
Legal and professional fees	97,639	33,639
Repairs and maintenance	73,075	280,605
Depreciation (Note 6)	68,472	105,358
Electricity (Note 5(b))	64,601	80,626
Office supplies	58,206	51,712
Directors' honorarium (Note 5(d))	49,250	41,100
Exhibitions	43,864	75,587
Travel	31,412	24,541
Courier and freight	26,292	27,889
Security	24,256	34,453
Meals and refreshments	24,213	22,119
Workshop	23,573	36,793
Promotion and advertising	22,746	22,710
Janitorial and cleaning	20,263	23,653
Printing and office expenses	19,461	66,794
Insurance	18,237	17,339
Telephone (Note 5(b))	16,854	15,395
Hurricane relief project (Note 10(b))	14,300	-
Inventory write-off	14,041	-
Storage	10,458	3,113
Cable	8,551	3,299
Bank charges	7,548	7,889
Water and sewerage (Note 5(b))	6,205	4,944
Art supplies	5,508	6,212
Miscellaneous	3,225	334
	<b>\$1,457,876</b>	<b>\$1,621,262</b>

### 9. OTHER INCOME

Other income for the year was as follows:

	2020	2019
Facility rentals and special tours	\$20,462	\$26,830
Interest income	250	223
Other	2,261	7,519
	<b>\$22,973</b>	<b>\$34,572</b>

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

### 10. DEFERRED PRIVATE GRANTS

- (a) During the year, no grants were received (2019 - \$56,276), from FAB Foundation. In prior years, FAB Foundation received funding from private grants and from the Albek family to assist NAGB with the construction of the "Fiona Amphitheatre" on NAGB's grounds. On December 12, 2017, the Fiona Amphitheatre opened.
- (b) In the aftermath of Hurricane Dorian, NAGB, in partnership with mental wellness professionals, launched an initiative entitled "We Gatchu". The program was in support of hurricane relief and recovery efforts for which NAGB received a \$40,000 donation from Templeton World Charity Foundation.

The movement in deferred private grants for the year was as follows:

	2020	2019
Balance at beginning of year	\$438,924	\$404,990
Grants received during the year	40,000	56,276
Grants released to income	(39,472)	(22,342)
Balance at end of year	\$439,452	\$438,924

### 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 at bank, other receivable and grants and subsidy receivable. Management does not consider that these balances are impaired as at June 30, 2020. 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.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

### 12. RISK ANALYSIS (continued)

#### a. Credit risk (continued)

As at June 30, 2020, 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:

	2020	2019
<b>Financial assets</b>		
Cash at bank	\$885,708	\$765,841
Other receivable	81,453	36,148
Grants and subsidy receivable	-	29,706
	<b>\$967,161</b>	<b>\$831,695</b>

#### 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, 2020 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.

	2020		
	1 – 30 days	Over 30 days	Total
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	\$32,520	\$ -	\$32,520
	2019		
	1 – 30 days	Over 30 days	Total
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	\$54,611	\$ -	\$54,611

#### 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.

# NATIONAL ART GALLERY OF THE BAHAMAS

## Notes to Financial Statements

June 30, 2020

---

### 12. RISK ANALYSIS (continued)

#### (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 equity securities.

### 13. LITIGATION AND CLAIM

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

### 14. CAPITAL MANAGEMENT

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

### 15. COVID-19 IMPACT ON OPERATIONS

On March 11, 2020 the World Health Organization declared the COVID-19 disease caused by the novel coronavirus, which originated in China, a pandemic. Many governments around the world initially responded by introducing emergency orders whereby businesses, other than those deemed to be essential services, were shut down and the general population told to stay at home. Since then these measures have been followed by easing of restrictions when the virus is deemed under control and the tightening of restrictions when COVID-19 cases increase. The impact has been significant, with job losses and many businesses declaring bankruptcy. These conditions create significant uncertainty as to the continuing impact on The Bahamas and by extension their impact on NAGB. The financial impact and its duration cannot be reasonably estimated at this time.

### 16. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

In the prior year, grants received from private donors were recognized in net assets as restricted funds. On review of this policy in the current year, it was determined that a more appropriate presentation would be to reclassify these amounts as deferred income in deferred private grants. In addition, cash received from private donors for specific purposes are recognized as restricted funds. Accordingly, cash and cash equivalents are defined as cash at bank less amounts relating to deferred private grants. The effect of these changes in accounting policies on the prior period were as follows:

# NATIONAL ART GALLERY OF THE BAHAMAS

Notes to Financial Statements

June 30, 2020

---

## 16. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

<b>2019</b>	<b>As previously reported</b>	<b>As reclassified</b>	<b>Change</b>
<i>Statement of financial position:</i>			
Total net assets at June 30, 2019	\$2,500,417	\$2,061,493	\$(438,924)
Deferred private grants	\$ -	\$ 438,924	\$ 438,924
<i>Statement of cash flows:</i>			
Net cash provided by financing activities	\$ 56,276	\$ -	\$ 56,276
Cash and cash equivalents	\$ 765,841	\$ 709,565	\$ (56,276)

See Independent Auditors' Report on pages 1 to 3.