

Grand Forks Art Gallery Society

Financial Statements

March 31, 2023

Independent Practitioner's Review Engagement Report

To the Members of
Grand Forks Art Gallery Society

We have reviewed the accompanying financial statements of Grand Forks Art Gallery Society that comprise the statement of financial position as at March 31, 2023 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Grand Forks Art Gallery Society as at March 31, 2023, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Pinnacle PAC

Chartered Professional Accountants
June 8, 2023



Grand Forks Art Gallery Society

STATEMENT OF FINANCIAL POSITION AND NET ASSETS

As at March 31

	Note	2023	2022	2021
Assets				
Current Assets				
Cash and cash equivalents		\$ 148,178	\$ 122,039	\$ 125,436
Accounts receivable		11,126	1,253	4,114
Inventory		12,085	11,949	9,486
		171,389	135,241	139,036
Tangible Capital Assets	3	544,408	202,646	136,234
Permanent Collection	4	180,801	178,301	178,301
Restricted Cash	5	231,589	544,075	459,941
		\$ 1,128,187	\$ 1,060,263	\$ 913,512
Liabilities and Net Assets				
Current Liabilities				
Accounts payable		\$ 9,560	\$ 6,783	\$ 24,386
Deferred operating grants	6	79,009	39,673	37,262
		88,569	46,456	61,648
Deferred Capital Contributions	7	547,458	509,466	353,924
Net Assets				
Invested in tangible capital assets		96,950	113,181	82,309
Invested in permanent collection		180,801	178,301	178,301
Internally restricted net assets	8	129,369	128,678	158,411
Unrestricted net assets		85,040	84,181	78,919
		492,160	504,341	497,940
		\$ 1,128,187	\$ 1,060,263	\$ 913,512

Approved by the Directors:

Grand Forks Art Gallery Society

STATEMENT OF OPERATIONS AND NET ASSETS

For the year ended March 31

	Note	2023	2022	2021
Revenue				
Grants revenue	9	\$ 362,702	\$ 360,976	\$ 405,279
Earned revenue	10	52,036	49,712	58,331
Donations and fundraising		40,544	21,558	44,657
		455,282	432,246	508,267
Expenses				
Human resources		244,509	246,850	218,234
Exhibitions and programs		61,482	54,379	44,656
Facility operations		42,059	44,265	61,522
Administration		35,782	29,280	28,928
Direct costs		34,593	30,360	36,008
Amortization of tangible capital assets		49,038	20,711	11,239
		467,463	425,845	400,587
Operating surplus (deficit)		(12,181)	6,401	107,680
Net assets, beginning of year		504,341	497,940	390,260
Net assets, end of year		\$ 492,160	\$ 504,341	\$ 497,940

Grand Forks Art Gallery Society

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31

	Invested In Tangible Capital Assets	Invested In Permanent Collection	Internally Restricted Net Assets	Unrestricted	2023	2022	2021
Net Assets, beginning of year	\$ 113,181	\$ 178,301	\$ 128,678	\$ 84,181	\$ 504,341	\$ 497,940	\$ 390,260
Operating surplus (deficit)	(14,531)	2,500	691	(841)	(12,181)	6,401	107,680
Tangible capital asset additions	390,800	-	-	(390,800)	-	-	-
Deferred capital contributions	(392,500)	-	-	392,500	-	-	-
Change during the year	(16,231)	2,500	691	859	(12,181)	6,401	107,680
Net Assets, end of year	\$ 96,950	\$ 180,801	\$ 129,369	\$ 85,040	\$ 492,160	\$ 504,341	\$ 497,940

Grand Forks Art Gallery Society

STATEMENT OF CASH FLOWS

For the year ended March 31

	2023	2022	2021
Operating Activities			
Operating surplus (deficit)	\$ (12,181)	\$ 6,401	\$ 107,680
Non-cash items			
Amortization of tangible capital assets	49,038	20,711	11,239
Amortization of deferred operating grants	(39,450)	(36,589)	(53,050)
Amortization of deferred capital contributions	(34,508)	(8,162)	(893)
Changes in non-cash working capital			
Accounts receivable	(9,873)	2,861	1,309
Inventory	(136)	(2,463)	(678)
Accounts payable	2,777	(17,603)	9,684
Deferred operating grants	78,786	39,000	34,000
Deferred capital contributions	72,500	163,704	342,063
	106,953	167,860	451,354
Investing Activities			
Acquisition of tangible capital assets	(390,800)	(87,123)	(89,124)
Acquisition of permanent collection	(2,500)	-	-
Transfer from (to) restricted cash	312,486	(84,134)	(303,489)
	(80,814)	(171,257)	(392,613)
Change in cash	26,139	(3,397)	58,741
Cash and cash equivalents, beginning of year	122,039	125,436	66,695
Cash and cash equivalents, end of year	\$ 148,178	\$ 122,039	\$ 125,436

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

1. Nature of Operations

The Society was established for the professional advancement of cultural assets in the City of Grand Forks and surrounding region and operates a gallery and gift shop in Grand Forks, BC. The Society is incorporated under the Societies Act of British Columbia as a non-profit organization and is a registered charity under the Income Tax Act.

2. Summary of Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimated amounts.

Cash and cash equivalents

The Society discloses bank balances, overdrafts that are part of a revolving facility, and term certificates of less than ninety days as cash and cash equivalents.

Financial instruments

The Society initially measures financial assets and financial liabilities at their fair value. It subsequently measures all financial assets and liabilities at amortized cost.

Inventory

Inventory of items for sale is measured at the lower of first-in, first-out cost and net realizable value.

Permanent collection

The collection consists of various works of art purchased or received as donations by the Society since 2002. Items are recorded at cost or fair value at the date of acquisition, provided that fair value can be reasonably determined. Items purchased prior to 2002 and items donated where the value cannot be determined have not been recorded due to lack of information.

Restricted cash

The Society discloses funds set aside by the Board of Directors for specific future projects as restricted cash.

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

2. Summary of Significant Accounting Policies (continued)

Tangible capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis at the following annual rates:

Leasehold improvements	15 years
Equipment and furnishings	10 years
Computer equipment and software	5 years

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted funding is recognized in the year in which the related expenses are incurred. Contributions restricted for the purchase of tangible capital assets are deferred and amortized on the same basis as the related tangible capital asset. Unrestricted funding is recognized as revenue when received or receivable, provided that collection is reasonably assured.

Revenue from memberships, admissions and gift shop sales are recognized at the point of sale, provided that collection is reasonably assured.

Donated assets are recognized as contributions only when a fair value can be reasonably determined.

Donated services

The Society benefits from donated services in the form of volunteer time for various programs. The value of donated services is not recognized in these financial statements.

Income tax

The Society is exempt from Federal and Provincial income taxes.

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

3. Tangible Capital Assets

	2023	2022	2021
Historical Cost			
Building leasehold improvements	\$ 409,156	\$ 33,054	\$ 22,634
Equipment and furnishings	119,194	109,784	34,071
Tenant leasehold improvements	86,756	86,756	85,536
Computer equipment and software	20,272	14,985	14,985
	635,378	244,579	157,226
Accumulated Amortization			
Building leasehold improvements	29,123	1,846	229
Equipment and furnishings	31,212	19,290	9,172
Tenant leasehold improvements	19,415	13,632	7,423
Computer equipment and software	11,220	7,165	4,168
	90,970	41,933	20,992
	\$ 544,408	\$ 202,646	\$ 136,234

4. Permanent Collection

	2023	2022	2021
Opening balance	\$ 178,301	\$ 178,301	\$ 177,326
Donations to the collection	2,500	-	975
Ending balance	\$ 180,801	\$ 178,301	\$ 178,301

The Permanent Collection includes more than 300 artworks of local and regional significance. Guided by the Gallery 2 Permanent Collection Policy, these works are held for the benefit of the community. The collection is recorded at its fair market value to the extent which it can be reasonably determined. Items purchased prior to 2002 and items donated where the value cannot be determined have not been recorded due to lack of information.

The Permanent Collection is insured for \$300,000.

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

5. Restricted Cash

	2023	2022	2021
Don Reid bequest	\$ 123,378	\$ 122,690	\$ 151,930
Projects savings	102,220	415,398	301,530
Future projects reserve	5,991	5,987	6,481
	\$ 231,589	\$ 544,075	\$ 459,941

Funds held as restricted cash have been set aside for use in future projects and programs. These funds are restricted in their use by either the Board of Directors or an agreement with the contributor.

In 2021, the Society received \$100,000 from Employment and Social Development Canada to support washroom and building accessibility upgrades. The project is expected to be completed in 2024. Funds received are held in projects savings.

6. Deferred Operating Grants

	2023	2022	2021
BC Arts Council	\$ 63,786	\$ 24,000	\$ 24,000
Destination BC	15,000	15,000	10,000
Reid scholarship fund	223	673	1,123
Permanent collection fund	-	-	2,139
	\$ 79,009	\$ 39,673	\$ 37,262

Changes in Deferred Operating Grants

	2023	2022	2021
Opening balance	\$ 39,673	\$ 37,262	\$ 56,312
Operating grants received	78,786	39,000	34,000
Amortization of deferred operating grants	(39,450)	(36,589)	(53,050)
Ending balance	\$ 79,009	\$ 39,673	\$ 37,262

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

7. Deferred Capital Contributions

	2023	2022	2021
Original Grants			
Building leasehold improvements	\$ 406,500	\$ 20,000	\$ 20,000
Equipment and furnishings	49,704	43,704	40,000
Tenant leasehold improvements	36,592	36,592	36,592
Projects in progress	100,000	420,000	260,000
	592,796	520,296	356,592
Accumulated Amortization			
Building leasehold improvements	28,757	1,658	229
Equipment and furnishings	9,153	4,183	-
Tenant leasehold improvements	7,428	4,989	2,439
	45,338	10,830	2,668
	\$ 547,458	\$ 509,466	\$ 353,924
Changes in Deferred Capital Contributions			
	2023	2022	2021
Opening balance	\$ 509,466	\$ 353,924	\$ 12,754
Deferred capital contributions received	72,500	163,704	342,063
Amortization of deferred capital contributions	(34,508)	(8,162)	(893)
Ending balance	\$ 547,458	\$ 509,466	\$ 353,924

Capital contributions received in 2023 consist of \$6,000 from the Regional District of Kootenay Boundary and \$66,500 from the City of Grand Forks. These were to fund the replacement of office furniture and increased restoration works costs respectively.

The Society also received operational grants from the Regional District of Kootenay Boundary and the City of Grand Forks. These are detailed in Note 9.

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

8. Internally Restricted Net Assets

	2023	2022	2021
Don Reid bequest	\$ 123,378	\$ 122,691	\$ 151,930
Future projects reserve	5,991	5,987	6,481
	\$ 129,369	\$ 128,678	\$ 158,411

The Don Reid bequest funds were received from the contributor's Estate in 2020. The funds were designated for matching capital grant applications towards facility improvements by the Board of Directors on January 27, 2020. Specifically, for the Permanent Collection storage (completed in 2022) and exhibition lighting replacements and accessibility improvements (anticipated completion in 2024).

The future projects reserve represents funds designated for use in future projects by the Board prior to 2017. These funds are intended to support minor capital expenditures at the discretion of the Board.

9. Grants Revenue

	2023	2022	2021
Municipal (see also Note 7)			
City of Grand Forks	\$ 161,663	\$ 161,663	\$ 158,650
Regional District of Kootenay Boundary	5,000	10,000	5,000
	166,663	171,663	163,650
Provincial			
BC Arts Council	48,000	24,000	81,600
BC Gaming	44,000	38,000	38,804
Destination BC	15,000	10,000	10,000
	107,000	72,000	130,404
Federal			
Government of Canada	47,531	108,601	108,024
Community Foundations			
Phoenix Foundation	5,000	-	-
Other	2,000	550	2,308
	7,000	550	2,308
Amortization of deferred capital contributions	34,508	8,162	893
	\$ 362,702	\$ 360,976	\$ 405,279

Grand Forks Art Gallery Society

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

10. Earned Revenue

	2023	2022	2021
Gift shop sales	\$ 39,681	\$ 38,228	\$ 35,283
Art rentals and sales	7,166	7,756	18,112
Facilities rental	2,505	1,215	1,320
Investment income	2,415	2,228	2,841
Other	269	285	775
	\$ 52,036	\$ 49,712	\$ 58,331

11. Commitments

Effective April 1, 2009, the Society entered into a 25 year lease with the City of Grand Forks for the land and building located at 524 Central Avenue, Grand Forks, BC at the rate of \$1 per year. The lease expires March 31, 2034 and has a renewal option for another 25 year period.

The Society is committed to the terms of an IT hardware and licensing contract with the City of Grand Forks until March 31, 2027 at the rate of \$2,385 per year plus applicable taxes. Subsequent rates may fluctuate due to the cost of equipment, fluctuations in US currency, and annual license costs.

Effective July 15, 2019, the Society entered into a five-year operating lease for a photocopy machine with Roynat Lease Finance at the rate of \$257 per month plus applicable taxes. The lease expires July 15, 2024.

March 31, 2023

12. Financial Instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. Management estimates that the fair values of the Society's financial instruments do not vary materially from their carrying values.

Transacting in and holding of financial instruments exposes the Society to certain financial risks and uncertainties. These risks include:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's exposure to liquidity risk relates to its accounts payable. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.