

RICHMOND ART GALLERY ASSOCIATION

FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2019

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of Richmond Art Gallery Association,

I have reviewed the accompanying financial statements of Richmond Art Gallery Association, that comprise the statement of financial position as at December 31, 2019, and the statements of operations and 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

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me 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, 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, I do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many charitable organizations, the Richmond Art Gallery Association derives a part of its revenue from fundraising revenue and donations, the completeness of which is not susceptible to me obtaining evidence I considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of Richmond Art Gallery Association. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue and donations, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. My review conclusion on the financial statement for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on my review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to my attention that causes me to believe that the financial statements of Richmond Art Gallery Association are not prepared, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by communication with those charged with governance and with the BC Societies Act, I report that, in my opinion, the principles have been applied on a basis consistent with that of the preceding year.

Delta, B.C.
April 24, 2020



CHARTERED PROFESSIONAL ACCOUNTANT

RICHMOND ART GALLERY ASSOCIATION
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at December 31, 2019

| | <u>General Fund</u> | <u>Gaming Fund</u> | <u>Restricted Funds</u> | <u>Total 2019</u> | <u>Total 2018</u> |
|--|-------------------------|------------------------|-----------------------------|-----------------------|-----------------------|
| ASSETS | | | | | |
| CURRENT | | | | | |
| Cash | \$ 125,400 | \$ 29,085 | \$ 76,000 | \$ 230,485 | \$ 222,521 |
| Accounts receivable | 6,717 | - | - | 6,716 | 4,704 |
| Sales tax rebate | 2,619 | 7 | - | 2,626 | 1,132 |
| Prepaid expenses | 685 | - | - | 686 | 685 |
| TOTAL CURRENT ASSETS | 135,421 | 29,092 | 76,000 | 240,513 | 229,042 |
| PROPERTY AND EQUIPMENT (notes 2e & 3) | 4,727 | - | - | 4,727 | 632 |
| TOTAL ASSETS | \$ 140,148 | \$ 29,092 | \$ 76,000 | \$ 245,240 | \$ 229,674 |
| LIABILITIES | | | | | |
| CURRENT | | | | | |
| Accounts payable and accrued liabilities | \$ 4,680 | \$ - | \$ - | \$ 4,680 | \$ 5,734 |
| Deferred contributions (note 4) | 108,368 | 29,092 | - | 137,460 | 101,281 |
| TOTAL CURRENT LIABILITIES | 113,048 | 29,092 | - | 142,140 | 107,015 |
| TOTAL LIABILITIES | 113,048 | 29,092 | - | 142,140 | 107,015 |
| NET ASSETS | | | | | |
| Unrestricted | 22,373 | - | - | 22,373 | 41,167 |
| Invested in capital assets | 4,727 | - | - | 4,727 | 632 |
| Internally restricted (notes 2b and 5) | - | - | 76,000 | 76,000 | 80,860 |
| TOTAL NET ASSETS | 27,100 | - | 76,000 | 103,100 | 122,659 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 140,148 | \$ 29,092 | \$ 76,000 | \$ 245,240 | \$ 229,674 |

APPROVED BY THE DIRECTORS:

_____, Director

_____, Director

RICHMOND ART GALLERY ASSOCIATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
(UNAUDITED)
For the year ended December 31, 2019

| | <u>General Fund</u> | <u>Gaming Fund</u> | <u>Restricted Funds</u> | <u>Total 2019</u> | <u>Total 2018</u> |
|--|-------------------------|------------------------|-----------------------------|-----------------------|-----------------------|
| REVENUE | | | | | |
| BC Gaming Grant | \$ - | \$ 21,098 | \$ - | \$ 21,098 | \$ 49,855 |
| Canada Council | 142,935 | - | - | 142,935 | 51,072 |
| BC Arts Council- Operating and Projects Programs | 39,184 | - | - | 39,184 | 44,516 |
| Fundraising revenue | 17,506 | - | - | 17,506 | 14,904 |
| Province of BC | 8,192 | - | - | 8,192 | 13,930 |
| Vancouver Foundation | 14,201 | - | - | 14,201 | 12,493 |
| Corporate sponsors | - | - | - | - | 10,000 |
| Service Canada | 5,600 | - | - | 5,600 | 7,319 |
| City of Richmond | 12,971 | - | - | 12,971 | 6,072 |
| Interest | 5,000 | - | - | 5,000 | 3,900 |
| Donations | 1,820 | - | - | 1,820 | 1,352 |
| Membership fees | 7,007 | - | - | 7,007 | 1,735 |
| Publications | 865 | - | - | 865 | 1,015 |
| Richmond Community Foundation | 74 | - | - | 74 | 288 |
| Hamber Foundation | 4,950 | - | - | 4,950 | 50 |
| | 1,500 | - | - | 1,500 | - |
| | 261,805 | 21,098 | - | 282,903 | 218,501 |
| EXPENSES | | | | | |
| Administration (note 6) | 98,780 | 20,049 | - | 118,829 | 137,937 |
| Amortization (note 2e) | 765 | - | - | 765 | 210 |
| Exhibitions | 135,442 | - | - | 135,442 | 40,813 |
| Programs | 46,377 | 1,049 | - | 47,426 | 34,895 |
| | 281,364 | 21,098 | - | 302,462 | 213,855 |
| (Deficit) Excess of revenue over expenses | (19,559) | - | - | (19,559) | 4,646 |
| Interfund transfers: | | | | | |
| Projector purchase | 4,860 | - | (4,860) | - | - |
| Transfer of deferred contribution | - | - | - | - | 4,932 |
| NET ASSETS, beginning of year | 41,799 | - | 80,860 | 122,659 | 113,081 |
| NET ASSETS, end of year | \$ 27,100 | \$ - | \$ 76,000 | \$ 103,100 | \$ 122,659 |

RICHMOND ART GALLERY ASSOCIATION
STATEMENT OF CASH FLOWS
(UNAUDITED)
For the year ended December 31, 2019

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts | \$ 315,577 | \$ 227,784 |
| Cash paid for expenses | (302,753) | (215,488) |
| | 12,824 | 12,296 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of capital assets | (4,860) | - |
| | 7,964 | 12,296 |
| INCREASE IN CASH | | |
| | 222,521 | 210,225 |
| CASH AND CASH EQUIVALENTS, beginning of year | | |
| | \$ 230,485 | \$ 222,521 |
| REPRESENTED BY: | | |
| CASH | | |
| General Fund | \$ 125,400 | \$ 141,471 |
| Gaming Fund | 29,085 | 190 |
| Restricted Fund | 76,000 | 80,860 |
| | \$ 230,485 | \$ 222,521 |

RICHMOND ART GALLERY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2019

1. PURPOSE OF THE ORGANIZATION

The Richmond Art Gallery Association "the Association" is mandated to exhibit, preserve, and promote visual arts and to provide exhibition related programming. The Association is incorporated under the British Columbia Societies Act. It is registered as a charitable organization under the Income Tax Act and as such is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of the financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

b) Fund Descriptions

The General Fund reports revenues and expenses related to program delivery and administrative activities.

The Gaming Fund reports revenues received from the BC Gaming Commission, and expenses funded from these revenues.

The Restricted Fund reports internally restricted funds by the Board of Directors and can not be spent without board approval.

c) Cash and cash equivalents

Cash equivalents are comprised of highly liquid term deposits that are readily convertible to cash with maturities that are less than three months from the date of acquisition.

d) Revenue Recognition

The Art Gallery follows the deferral method of revenue recognition. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the delivery of programs, events and product sales is recorded at the time the service or sale is rendered.

RICHMOND ART GALLERY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Capital Assets

Capital assets are recorded at cost with amortization provided as follows:

Computers and equipment 25% declining balance

The above rates have been used to reflect the anticipated life expectancy.

f) Contributed Services

Volunteers and City of Richmond Employees provide assistance to the association in its program delivery. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

3. PROPERTY AND EQUIPMENT

| | 2019 | | |
|-------------------------|------------------|-------------------------------------|-----------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net</u> |
| Computers and equipment | \$ <u>36,032</u> | \$ <u>31,305</u> | \$ <u>4,727</u> |
| | 2018 | | |
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net</u> |
| Computers and equipment | <u>31,172</u> | <u>30,540</u> | <u>632</u> |

RICHMOND ART GALLERY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2019

4. DEFERRED CONTRIBUTIONS

Deferred contributions represents externally restricted grants and donations not yet disbursed, as follows:

Current portion of Restricted Fund deferrals for the following year's programs and exhibits

| | <u>2018</u> | | | <u>2019</u> |
|---|-------------------|-----------------|----------------------|-------------------|
| | Beginning | | | Ending |
| | <u>Balance</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> |
| BC Arts Council - Early Career | \$ 2,185 | \$ - | \$ 2,185 | \$ - |
| BC Arts Council - Youth Collective | 8,679 | - | 8,679 | - |
| Canada Council - Adad Hannah | 64,929 | 40,000 | 102,528 | 2,400 |
| Canada Council - Brendan Fernandes | - | 47,000 | 1,435 | 45,565 |
| Canada Council - Karen Tam | - | 27,000 | 11,972 | 15,028 |
| Canada Council - Rita McKeough | - | 28,000 | 27,000 | 1,000 |
| ECUAD* - Youth Lab | 2,241 | 5,448 | 4,830 | 2,859 |
| Province of BC - Pacific Crossings | 12,507 | 43,000 | 14,201 | 41,306 |
| RCF** - Adad Hannah | 4,950 | - | 4,950 | - |
| Sponsorship - Youth and Family Programs | 5,600 | - | 5,600 | - |
| Programming schools | - | 8,970 | 8,760 | 210 |
| | <u>101,091</u> | <u>199,418</u> | <u>192,140</u> | <u>108,368</u> |
| Gaming Fund*** | <u>190</u> | | | <u>29,092</u> |
| Total Restricted Funds | <u>\$ 101,281</u> | | | <u>\$ 137,460</u> |

* Emily Carr University of Arts + Design

** Richmond Community Foundation

*** Gaming funds are restricted for Exhibition and Public Programs to assist with payment of exhibitions, staff wages and other program expenses.

5. INTERNALLY RESTRICTED NET ASSETS

On March 21, 2017, the board passed a motion to transfer any future operating surpluses to the restricted fund while maintaining a minimum of \$40,000 in unrestricted net assets. On March 30, 2020, the board passed a motion to leave the deficit at the end of 2019 as this was mainly due to a change in reporting. In addition a motion was passed to redefine the internally restricted funds as noted below. These internally restricted net asset amounts are not available for spending purposes without approval of the board of directors.

Internally restricted assets consist of the following reserves:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Exhibition and Programming -Related Contractors | - | 36,587 |
| Legal Fees | 8,206 | 8,206 |
| Board and Membership Development | 5,000 | 5,000 |
| Capital Acquisition | <u>62,794</u> | <u>31,067</u> |
| | <u>\$ 76,000</u> | <u>\$ 80,860</u> |

RICHMOND ART GALLERY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2019

6. ADMINISTRATION EXPENSES

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| In the Gaming fund this expense consists of: | | |
| Wages | \$ <u>20,049</u> | \$ <u>44,960</u> |
| In the General fund these expenses consists of: | | |
| Accounting fee | \$ 4,607 | \$ 5,171 |
| Insurance | 1,204 | 730 |
| Office and miscellaneous expenses | 6,179 | 7,306 |
| Fundraising | 3,338 | 9,886 |
| Wages and training | <u>83,451</u> | <u>69,884</u> |
| | <u>\$ 98,780</u> | <u>\$ 92,977</u> |
| | <u>\$ 118,829</u> | <u>\$ 137,937</u> |

7. CONTRIBUTION TO AN EXTERNAL ENDOWMENT FUND

The Association established a permanent endowment fund with the Vancouver Foundation known as the Richmond Art Gallery Endowment Fund. The fund is owned and administered by the Vancouver Foundation. All distributions from this fund are for the benefit of the Association. The Association is entitled to the investment income earned from this fund. The interest earned in 2019 was \$1,401 (2018 \$1,345).

The market value of the fund at December 31, 2019 was \$37,255.

8. FINANCIAL INSTRUMENTS

The Association uses risk management to monitor and manage its risk arising from financial instruments. These risks include credit risk, interest rate risk, and liquidity risk. The Association does not use any derivative financial instruments to mitigate these risks.

Credit risk

Credit risks arise from cash. Cash is deposited with reputable, major financial institutions to limit the credit risk exposure.

Interest rate risk

The Association is exposed to interest rate risk with respect to the following financial instruments: cash and cash equivalents, and investments in interest bearing securities. Changes in interest rates can affect the fair value of investments and the cash flows related to interest income.

Liquidity risk

Liquidity risk exposure is dependent on the receipt of funds from provincial government grants, membership fees and other sources to enable the Association to pay its liabilities as they become due.

**RICHMOND ART GALLERY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2019**

9. ECONOMIC DEPENDENCE

The assistance provided by the City of Richmond, including staff, premises and other operating costs, is significant to the Association. The 2019 amount budgeted by the City of Richmond for the Gallery was \$629,200 which comprised of salaries & benefits, and operating expenses. These City of Richmond expenditures are not reflected in the Richmond Art Gallery Association's financial statements.

In addition, the Association is economically dependent on various government and art council grants which represent 86% (2018 - 81%) of total revenues.