

Financial Statements of

KAMLOOPS ART GALLERY

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Kamloops Art Gallery

Opinion

We have audited the financial statements of Kamloops Art Gallery (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditor's report, the financial statements present fairly, in all material respects, the financial position of the Gallery as at December 31, 2023, and its results of operations, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

In common with many charitable organizations, the Gallery derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Gallery.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at December 31, 2023 and December 31, 2022
- the fundraising and donation revenues and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2023 and December 31, 2022
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2023 and December 31, 2022
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2023 and December 31, 2022



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We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Gallery in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Gallery'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 the Gallery or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Gallery's financial reporting process.

Auditor's 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 auditor's 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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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.



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- 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 the Gallery'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 Gallery's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Gallery 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.
- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with applicable financial reporting framework have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Professional Accountants

Kamloops, Canada

April 5, 2024

KAMLOOPS ART GALLERY

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Revenue Fund		Capital Fund		2023 Total	2022 Total
Assets						
Current assets:						
Cash and cash equivalents (note 12)	\$	157,584	\$	-	\$ 157,584	\$ 191,704
Accounts receivable		41,362		-	41,362	253,342
Short term deposits (note 2)		218,000		-	218,000	210,000
Due to/from other funds		(129,682)		129,682	-	-
Inventory (note 3)		74,408		-	74,408	71,929
Prepaid expenses		64,218		-	64,218	45,240
		425,890		129,682	555,572	772,215
Capital assets (note 4)		-		40,763	40,763	57,512
Permanent art collection (note 5)		1		-	1	1
	\$	425,891	\$	170,445	\$ 596,336	\$ 829,728

Liabilities and Net Assets

Current liabilities:						
Accounts payable and accrued liabilities (note 6)	\$	76,155	\$	-	\$ 76,155	\$ 88,485
Deferred contributions (note 7)		88,275		-	88,275	88,493
		164,430		-	164,430	176,978
Long-term debt		-		-	-	40,000
Net assets:						
Invested in capital assets		-		40,763	40,763	57,512
Externally restricted (note 8)		-		129,682	129,682	109,258
Unrestricted		261,461		-	261,461	445,980
		261,461		170,445	431,906	612,750
Commitments (note 9)		-		-	-	-
	\$	425,891	\$	170,445	\$ 596,336	\$ 829,728

See accompanying notes to financial statements.

On behalf of the Trustees:

 _____, Trustee

 _____, Trustee

KAMLOOPS ART GALLERY

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Revenue Fund	Capital Fund	2023 Total	2022 Total
Revenues:				
Grants	\$ 966,811	\$ 24,482	991,293	\$ 1,040,002
Private sector	119,178	-	119,178	109,615
Self-generated income (note 11)	177,637	-	177,637	125,543
Donations to permanent collection (note 5)	88,004	-	88,004	65,500
	1,351,630	24,482	1,376,112	1,340,660
Expenses:				
Administration	83,623	-	83,623	71,619
Amortization of capital assets	-	20,807	20,807	19,678
Collection management	94,720	-	94,720	106,005
Exhibitions and public programs	324,752	-	324,752	221,683
Facility operation and maintenance	61,394	-	61,394	77,927
Gallery store	43,870	-	43,870	40,079
Marketing and public relations	66,609	-	66,609	58,996
Training programs	15,794	-	15,794	9,430
Wages and benefits	845,387	-	845,387	725,617
	1,536,149	20,807	1,556,956	1,331,034
Excess (deficiency) of revenues over expenses	\$ (184,519)	\$ 3,675	\$ (180,844)	\$ 9,626

See accompanying notes to financial statements.

KAMLOOPS ART GALLERY

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Balance, beginning of year	Excess (deficiency) of revenues over expenses	Balance, end of year
2023			
Revenue fund	\$ 445,980	\$ (184,519)	\$ 261,461
Capital fund	166,770	3,675	170,445
	\$ 612,750	\$ (180,844)	\$ 431,906
2022			
Revenue fund	\$ 440,916	\$ 5,064	\$ 445,980
Capital fund	162,208	4,562	166,770
	\$ 603,124	\$ 9,626	\$ 612,750

See accompanying notes to financial statements.

KAMLOOPS ART GALLERY

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ (180,844)	\$ 9,626
Item not involving cash:		
Amortization of capital assets	20,807	19,678
	(160,037)	29,304
Changes in non-cash operating working capital:		
Accounts receivable	211,980	(210,406)
Inventories	(2,479)	(21,480)
Prepaid expenses	(18,978)	(15,935)
Accounts payable and accrued liabilities	(12,330)	31,265
Deferred contributions	(218)	(47,038)
	17,938	(234,290)
Financing activities:		
Repayment of long-term debt	(40,000)	-
Investing activities:		
Purchase of capital assets	(4,058)	(23,889)
Purchase of short-term deposits	(8,000)	(200,000)
	(12,058)	(223,889)
Decrease in cash	(34,120)	(458,179)
Cash and cash equivalents, beginning of year	191,704	649,883
Cash and cash equivalents, end of year	\$ 157,584	\$ 191,704

See accompanying notes to financial statements.

KAMLOOPS ART GALLERY

Notes to Financial Statements

Year ended December 31, 2023

Nature of operations:

The Kamloops Art Gallery (the "Gallery") is a not-for-profit organization incorporated without share capital under the Societies Act (British Columbia). The Gallery is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. The Gallery operates a not-for-profit public art gallery in the City of Kamloops.

1. Significant accounting policies:

The financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook. The Gallery's significant accounting policies are as follows:

(a) Fund Accounting:

These financial statements include the undernoted funds which are segregated for purposes of carrying on specific activities as described below:

The revenue fund accounts for current operations and programs as well as the organization's general operations. Unrestricted contributions (donations and grants) and restricted contributions to be used for operations are reported in this fund.

The capital fund accounts for activities related to the acquisition of capital assets. The capital fund is used to account for all financial resources and expenditures which relate to the acquisition of capital assets, including acquisition related grant revenues.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and highly liquid investments with terms to maturity of three months or less at the date of acquisition.

(c) Short term deposits:

The term deposits are recorded at cost plus accrued interest. Term deposits which either have maturities within twelve months of the balance sheet date or can readily be liquidated are classified as current assets.

KAMLOOPS ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Inventory:

Inventory is valued at the lower of cost, based on a first-in-first out method, and net realizable value. Catalogues are produced periodically for exhibitions and included as a current exhibition costs.

Costs for inventories include all costs incurred in bringing inventories to their present location and condition. Net realizable value is defined as the anticipated selling price less the costs to sell. Any previous write-downs to net realizable value are reversed when there is a subsequent increase in the value of inventories.

(e) Revenue recognition:

The Gallery applies the restricted fund method of accounting for contributions. Restricted contributions for which a corresponding restricted fund is presented are recognized as revenue of that fund in the year received or receivable. Any externally restricted contributions for which there is no corresponding restricted fund is recorded in the revenue fund, using the deferral method of accounting. Under this method of accounting, revenue received with specific external restrictions is deferred and recognized in the period the related expenses are incurred or the restrictions are met. Annual operating grant contributions are recognized on a straight-line basis over the period for which the grants are provided.

Contributions of or toward the purchase of capital assets under the revenue fund are recorded as deferred capital contributions and amortized into revenue at the same rate as the amortization of the related capital asset.

Cash donations are recorded as income when received. Donations received in-kind are recognized as revenue when received and when their fair value can be reasonably estimated.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue and expenses related to fundraising and other special events, where the Gallery is the principal to the events, are recorded on a gross basis.

Gallery Store sales are recognized at the time sales are made.

Interest income is recorded as earned.

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Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Permanent Art Collection:

The value of the Collection, for both items purchased and contributed has been excluded from the Statement of Financial Position except for a nominal carrying value of \$1. The costs of purchased collection items less nominal value are charged as an expense in the Revenue Fund in the year of acquisition.

(g) Contributed materials and services:

The Gallery receives donated works of art, materials and services, the value of which is recorded at fair value, when fair value can be reasonably estimated, at the date the material and services are contributed.

(h) Capital assets:

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets, using the following annual rates.

Asset	Rate
Computer equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

(i) Impairment of tangible and intangible assets:

The Gallery reviews the carrying amount of capital and intangible assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Gallery's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

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Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements in accordance with Not-For-Profit Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Not for profit corporation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Not for profit corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Not for profit corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Short-term deposits:

	2023	2022
Term deposits	\$ 218,000	\$ 210,000

Term deposits earn interest at 1.75% to 4.75% per annum and mature May 2024 and July 2024.

3. Inventory:

	2023	2022
Gallery store	\$ 74,408	\$ 71,929

The amount of inventories included in cost of sales during the year ended December 31, 2023 was \$43,870 (2022 - \$40,079).

4. Capital assets:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 253,738	\$ 240,098	\$ 13,640	\$ 22,100
Computer equipment	65,368	38,713	26,655	33,559
Leasehold improvements	37,768	37,300	468	1,853
	\$ 356,874	\$ 316,111	\$ 40,763	\$ 57,512

5. Permanent art collection:

Additions to the permanent art collection in the year totaled \$88,004 (2022 - \$90,400), consisting of contributions to the collection of \$88,004 (2022 - \$65,500) and cash acquisitions of \$nil (2022 - \$24,900).

KAMLOOPS ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,215 (2022 - \$1,307).

Included in accounts payable accrued liabilities are amounts payable to employees of \$25,404 (2022 - \$31,827) for wages and other payroll-related benefits.

7. Deferred contributions:

Deferred contributions reported in the Revenue fund are restricted operating funds received in the current period that are related to a subsequent period.

	Opening Balance January 1, 2023	Receipts during the year	Recognized to revenue	Balance December 31, 2023
Canada Council for the Arts - Digital Now	\$ 25,000	\$ -	\$ (25,000)	\$ -
BC Arts Council - Resiliency Grant #2	32,000	-	(10,000)	22,000
Vancouver Foundation	20,000	40,000	(40,000)	20,000
Miscellaneous	11,493	48,692	(13,910)	46,275
	<u>\$ 88,493</u>	<u>\$ 88,692</u>	<u>\$ (88,910)</u>	<u>\$ 88,275</u>

KAMLOOPS ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Externally restricted net assets:

	2023	2022
City of Kamloops Capital Grant	\$ 129,682	\$ 109,258

9. Commitments:

The Gallery rents approximately 20,853 square feet of space in a building with a long-term lease agreement which expires December 31, 2027. There are no regular rent payments to be made and based on the usage of the space no fair value of rent can be reasonably estimated and as such no amount has been reflected in the financial statements. The lease agreement requires that the Gallery is responsible for all repairs and maintenance relating to the space.

10. Contributed materials and services:

During the year the Gallery received materials and services having a fair value of \$24,393 (2022 - \$450). These amounts were included in self-generated income and exhibitions and public programs:

	2023	2022
In-kind event sponsorships	24,394	450

KAMLOOPS ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2023

11. Endowment funds:

Endowment funds, administered by the BC Interior Community Foundation and the Vancouver Foundation, are permanently restricted and consequently not included in the assets of the Gallery in these financial statements. These funds at book value comprise:

	2023	2022
BC Interior Community Foundation:		
Kamloops Art Gallery Fund	\$ 210,488	\$ 210,188
Fred Doubt Fund	10,297	10,297
Jann LM Bailey Legacy Fund	33,109	32,209
Jann LM Bailey Foundation Fund	49,256	50,156
Vancouver Foundation:		
Jann LM Bailey Legacy Fund	12,134	12,125
Book value	\$ 315,284	\$ 314,975

Under the terms of these endowment funds, the Gallery receives investment income earned on the capital. Income for the year ended December 31, 2023, of \$16,527 (2022 - \$27,314) from the BC Interior Community Foundation has been recorded in self-generated income. Income for the year ended December 31, 2023, of \$611 (2022 - \$124) from the Vancouver Foundation has been recorded in self-generated income.

12. Credit facility:

The Gallery has a line of credit with RBC which bears interest at the bank's prime commercial lending rate plus 1.75% (December 31, 2023 - 8.95%, in aggregate). The line of credit is available to a maximum of \$200,000 and is secured by a general security agreement constituting a first ranking security interest in all property of the Gallery. As at December 31, 2023, the line of credit balance totaled \$nil (December 31, 2022 - \$nil). The total interest paid on the line of credit as at December 31, 2023 totaled \$nil (December 31, 2022 - \$nil).

13. Trustee, employee and contractor remuneration:

For the fiscal year ending December 31, 2023, the Gallery paid total remuneration of \$88,960 (2022 - \$84,704) to one employee for services (2022 - one employee). No other employees or contractors were paid amounts greater than \$75,000 for services during the year.

No Trustees of the Gallery were remunerated for the fiscal years ending December 31, 2023 and December 31, 2022.

KAMLOOPS ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2023

14. Financial risks and concentration of risk:

(a) Credit risk:

The Gallery is exposed to credit risk related to its accounts receivable. It is management's opinion the related risk is not significant due to the nature and credit worthiness of the counterparties and that the amounts are only recorded when ultimate collection is reasonably assured. The Gallery is exposed to credit risk with respect to its cash deposits and investments held. The risk of loss is considered low as the deposits and investments are highly liquid and held with reputable financial institutions in Canada.

The Gallery's exposure to credit risk remains unchanged from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that the Gallery will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Gallery manages its liquidity risk by monitoring its operating requirements. The Gallery prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The Gallery's exposure to liquidity risk remains unchanged from the prior year.

(c) Industry:

The Gallery operates in the cultural industry environment and can be affected by general economic trends. A decline in economic conditions, public consumer-spending levels or other adverse conditions could lead to reduced revenues and changes in operating results.

The Gallery's exposure to industry risk remains unchanged from the prior year.

KAMLOOPS ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2023

14. Financial risks and concentration of risk (continued):

(d) Interest rate risk:

The Gallery's bank indebtedness (note 12) has a variable rate based on the bank's commercial prime rate plus a margin. The required payments to service the debt will fluctuate as a result of variable lending rate. The Gallery allowed these obligations to generally float at market rates of interest. There has been no change to the risk exposure from 2023 as the Gallery was not in an overdraft position at any point during the year.

The Gallery is exposed to interest rate risk in respect to its short term investments which earn interest income at fixed rates as disclosed in note 2.

15. Economic dependence:

As common with many charitable organizations, the Gallery's primary source of revenues are contributions from various levels of government and other supporting organizations. The Gallery's ability to continue as a going concern depends on maintaining these contributions.

The Gallery operates under a long-term lease and operating agreement with the City of Kamloops. The lease and operating agreement provides for total rent of \$1.00 for the term of the lease.