

Financial Report

The Grimsby Public Art Gallery

December 31, 2021

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THE GRIMSBY PUBLIC ART GALLERY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of The Grimsby Public Art Gallery ("the Gallery") are the responsibility of the Gallery's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.


The Gallery's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Council meets with management and external accountants to review and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been reviewed by Grant Thornton LLP, licensed public accountants, appointed by the Town of Grimsby. The accompanying Independent Practitioner's Review Engagement Report outlines their responsibilities, and their opinion on the Gallery's financial statements.



Alexandra Hartstone
Art Gallery Manager/Curator
Corporation of the Town of Grimsby



Beth Brens, CPA, CA
Director of Finance/Treasurer
Corporation of the Town of Grimsby

June 9, 2022

Independent Practitioner's Review Engagement Report

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To the Members of
The Grimsby Public Art Gallery

We have reviewed the accompanying financial statements of The Grimsby Public Art Gallery that comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net financial 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 public sector accounting standards, 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.

Basis for qualified conclusion

The Gallery belongs to a post-employment benefit plan which is administered by the Town of Grimsby. The Gallery's share of the post-employment benefit liability is not reflected in the statement of financial position of the Gallery as it was impractical to complete this analysis. The effect of this departure from Canadian public sector accounting standards on the financial statements has not been determined.

Qualified conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of The Grimsby Public Art Gallery as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Port Colborne, Canada
June 9, 2022

Chartered Professional Accountants
Licensed Public Accountants

THE GRIMSBY PUBLIC ART GALLERY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	2021	2020
Financial Assets		
Receivable from Town of Grimsby	\$ 155,551	\$ 139,596
Inventory	4,458	5,799
	160,009	145,395
Financial Liabilities		
Deferred revenue (Note 3)	27,231	13,569
Capital lease obligations (Note 4)	3,903	1,059
	31,134	14,628
Net Financial Assets	128,875	130,767
Non-Financial Assets		
Prepaid expenses	270	403
Tangible capital assets (Note 14)	3,585	548
	3,855	951
Accumulated surplus (Note 5)	\$ 132,730	\$ 131,718

See accompanying notes to financial statements.

On behalf of the board




THE GRIMSBY PUBLIC ART GALLERY

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2021

	2021 Budget (Note 12)	2021 Actual	2020 Actual
Revenues			
Municipal contributions (Note 6)	\$ 260,110	\$ 260,110	\$ 263,300
Government transfers (Note 7)	42,970	51,685	74,570
Donations	2,000	4,791	3,980
Fundraising	22,000	1,584	3,784
Giftshop	18,000	9,373	4,340
Other (Note 8)	35,980	8,645	7,578
	381,060	336,188	357,552
Expenses			
Advertising and promotion	2,000	1,217	1,096
Amortization	947	947	1,097
Conferences and training	700	150	-
Events	25,000	12,115	12,867
Giftshop	8,750	6,965	1,480
Insurance	4,500	4,502	3,322
Maintenance and repairs	32,730	16,074	41,355
Memberships	1,600	851	1,486
Office	25,780	16,310	18,728
Professional fees	4,000	5,720	1,100
Salaries, wages and benefits (Note 9)	246,400	240,035	166,889
Supplies	10,500	3,171	7,040
Travel	3,000	1,603	489
Utilities	22,100	25,516	26,671
	388,007	335,176	283,620
Annual surplus (deficit)	(6,947)	1,012	73,932
Accumulated Surplus (Note 5)			
Beginning of year	131,718	131,718	57,786
End of year	\$ 124,771	\$ 132,730	\$ 131,718

See accompanying notes to the financial statements.

THE GRIMSBY PUBLIC ART GALLERY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2021

	2021 Budget (Note 12)	2021 Actual	2020 Actual
Annual surplus (deficit)	\$ (6,947)	\$ 1,012	\$ 73,932
Amortization of tangible capital assets	947	947	1,097
Acquisition of tangible capital assets	-	(3,984)	-
Utilization of prepaid expenses	-	133	74
(Decrease) increase in net financial assets	(6,000)	(1,892)	75,103
Net financial assets			
Beginning of year	130,767	130,767	55,664
End of year	\$ 124,767	\$ 128,875	\$ 130,767

See accompanying notes to the financial statements.

THE GRIMSBY PUBLIC ART GALLERY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

	2021	2020
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 1,012	\$ 73,932
Non-cash items:		
Amortization of tangible capital assets	947	1,097
Change in non-cash assets and liabilities:		
Receivable from Town of Grimsby	(15,955)	(87,845)
Inventory	1,341	297
Prepaid expenses	133	74
Deferred Revenue	13,662	13,569
	1,140	1,124
Capital activities		
Acquisition of capital lease	(3,984)	-
Financing activities		
Repayment of capital lease obligation	2,844	(1,124)
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of year	-	-
End of year	\$ -	\$ -

See accompanying notes to the financial statements.

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

1. Purpose of the Art Gallery Board

The Grimsby Public Art Gallery (“the Gallery”) provides art gallery services to residents of the Town of Grimsby and residents of other municipalities who have contracted with the Gallery for services.

2. Significant accounting policies:

Management responsibility

The financial statements of the Gallery are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of the estimates based on management’s judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

a) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measureable and expenses in the period the goods and services are acquired and a liability is incurred.

b) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Gallery.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank and guaranteed investments certificates.

d) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses to acquisition, construction, development and/or betterment of the asset, required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible assets are capitalized at their estimated fair value upon acquisition. The Gallery does not capitalize interest as part of the costs of its capital assets.

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

2. Significant accounting policies (continued)

d) Tangible capital assets (continued)

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its useful life for all classes except land. Land is considered to have infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations as other revenue. Works of art and cultural assets are not recorded as assets in these financial statements.

Classification	Useful Life
Equipment	5 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

e) Deferred revenue

Deferred revenue is comprised of user charges, user fees and grant amounts which have been received prior to the fiscal year to which they pertain. These amounts will be recognized as revenues in the fiscal year the services are performed.

(f) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are considered as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(g) Revenue recognition

Government transfers, which include municipal contributions, provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met, and reasonable estimates of the amount can be made.

Donations and other revenues are recognized when received.

Gift shop and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

(h) Reserves for future expenses

Certain amounts, as approved by the Gallery, are set aside in reserves for future operating and capital expenses.

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

2. Significant accounting policies (continued):

(i) Use of estimates

The preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 those estimates.

3. Deferred revenue

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 13,569	\$ -
Memberships and donations received during the year	169	75
Grant revenue received during the year	26,987	13,494
Revenue recognized during the year	(13,494)	-
Balance, end of year	\$ 27,231	\$ 13,569

4. Capital lease obligation

(a) The capital lease obligation reported on the Statement of Financial Position is made up of the following:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2021</u>	<u>2020</u>
Photocopier - I	2%	2021	\$ -	\$ 1,059
Photocopier - II	3.1%	2026	3,903	-
			\$ 3,903	\$ 1,059

(b) Principal payments due in each of the next five years are as follows:

2022	\$ 712
2023	\$ 714
2024	\$ 779
2025	\$ 850
2026	\$ 847

(c) Total charges for interest, which are reported on the Statement of Operations in contracted services amounts to \$ 19 (2020 - \$ 53)

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

5. Accumulated Surplus

	<u>2021</u>	<u>2020</u>
Operating surplus (deficit)	\$ 133,048	\$ (5,580)
Reserve for capital	-	137,809
Investment in tangible capital assets (Note 14)	3,585	548
Unfunded capital lease obligation (Note 4)	(3,903)	(1,059)
	\$ 132,730	\$ 131,718

6. Related party transactions

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Revenues			
Municipal contribution	\$ 260,110	\$ 260,110	\$ 263,300
Expenses			
Utilities	\$ 18,100	\$ 21,013	\$ 21,965
Office	13,330	13,330	13,169
Repairs and maintenance	1,380	7,673	2,053
	\$ 32,810	\$ 42,016	\$ 37,187

All above transactions are with the Town of Grimsby.

7. Government transfers

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Federal – Young Canada Works	\$ 15,000	\$ 13,448	\$ 47,470
Provincial – Ontario Arts Council	26,970	26,987	26,987
Regional – Niagara Investment in Culture & Niagara Community Foundation	-	11,250	-
Other	1,000	-	113
	\$ 42,970	\$ 51,685	\$ 74,570

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

8. Other Revenue

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Sales and commissions	\$ -	\$ 296	\$ -
Memberships	1,500	295	613
Education programs	6,000	459	136
Event Fees	4,000	390	1,570
Art class fees	24,000	7,205	5,259
Miscellaneous revenue	480	-	-
	\$ 35,980	\$ 8,645	\$ 7,578

9. Salaries, wages and benefits

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Salaries and wages	\$ 199,640	\$ 199,051	\$ 130,917
Benefits	46,760	40,984	35,972
	\$ 246,400	\$ 240,035	\$ 166,889

10. Pension Agreements

The Gallery makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 70 million (2020 - \$ 7.7 billion deficit) based on the fair market value of the plan’s assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in 2021 calendar year at rates from 9.0% to 15.8% depending on the member’s designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2021 current and past service was \$ 9,242 (2020 - \$ 9,437) and were matched by employee contributions in a similar amount.

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

11. Workplace and Insurance Board (WSIB) future benefits

The Gallery, as a part of the Town, is a schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self-insurance for all its employees.

An actuarial estimate of the future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The Gallery remits payments to the WSIB as required to fund disability payments.

A Workplace Safety and Insurance Reserve, funded by annual contributions from the Town has also been established to protect against any unknown future liability. The Town also maintains an insurance policy, which protects the Corporation against single claims in excess of \$500,000.

12. Budget

The budget approved by the Art Gallery Board includes expenditures for tangible capital assets, but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the Statement of Operations.

Budgeted annual surplus	\$	-
Less:		
Transfers to (from) reserves, net		(6,000)
Amortization of tangible capital assets		(947)
<u>Budgeted deficit per Statement of Operations</u>	<u>\$</u>	<u>(6,947)</u>

THE GRIMSBY PUBLIC ART GALLERY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

13. Impacts of COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March, 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Gallery had to limit activity during its fiscal year due to the COVID-19 pandemic, and was closed at times due to provincial government restrictions. Due to limited activity and closures, the Gallery experienced decreases in fundraising and other revenue and incurred lower salaries, wages and benefits expenses for the year ended December 31, 2021.

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the Gallery for future periods.

14. Equipment under capital lease

	<u>2021</u>	<u>2020</u>
Cost		
Beginning of year	\$ 5,485	\$ 5,485
Additions	3,984	-
Disposals	(5,485)	-
End of year	3,984	5,485
Accumulated amortization		
Beginning of year	4,937	3,840
Amortization	947	1,097
Disposals	(5,485)	-
End of year	399	4,937
Net Book Value	\$ 3,585	\$ 548
