



The Art Gallery of Windsor

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

Independent Auditors' Report

To the Members of The Art Gallery of Windsor:

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of The Art Gallery of Windsor, which comprise the statement of financial position as at December 31, 2023, and the statement of operations, changes in net assets and cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Gallery derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation and fundraising revenues was limited to the amounts recorded in the records of the Gallery and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, revenue over expenditures, assets and net assets. This issue also resulted in a qualification of the financial statements for the year ended December 30, 2022.

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 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Independent Auditors' Report (continued)

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Auditors' Responsibility for the Audit

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 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 these 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.
- 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.



Independent Auditors' Report (continued)

- 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 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 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.

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.

Capital Assist Professional Corporation

Capital Assist Professional Corporation
Licensed Public Accountant

Windsor, Ontario
February 28, 2024

Authorized to practice public accounting by the Institute of Chartered Professional Accountants of Ontario

The Art Gallery of Windsor
Financial Statements
For The Year Ended December 31, 2023

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The Art Gallery of Windsor

Statement of Operations

For The Year Ended December 31, 2023 (with comparative figures for 2022)

	2023	2022
Revenue		
Grants (Schedule 1)	\$ 1,014,429	\$ 1,508,019
Donations, membership and fundraising (Schedule 1)	484,789	488,234
Public programs (Schedule 1)	28,116	48,703
Admissions	33,304	23,151
Facility rental	23,225	46,823
Other revenue	9,941	20,031
	1,593,804	2,134,961
Expenses		
Administration	304,230	314,064
Building, facility, and occupancy	323,291	285,460
Curatorial, collection, and exhibitions	1,010,618	801,394
Membership and fundraising	213,683	176,365
Public programs and outreach	276,394	225,607
Visitor welcome, marketing, and promotions	263,312	292,005
	2,391,528	2,094,895
Excess (deficiency) of revenue over expenditures before the undernoted	(797,724)	40,066
Investment income (net value) (Note 10)	496,178	395,232
Unrealized gain (loss) on investments (Note 10)	316,756	(1,083,200)
	812,934	(687,968)
Excess (deficiency) of revenue over expenditures	\$ 15,210	\$ (647,902)

The Art Gallery of Windsor

Statement of Changes in Net Assets

As at December 31, 2023 (with comparative figures for 2022)

	Unrestricted Net Assets	Endowment Net Assets	2023	2022
Net assets, beginning	\$ 333,968	\$ 8,610,135	\$ 8,944,103	\$ 9,592,005
Capital disbursements (Note 10)	422,908	(422,908)	-	-
Contributions (Note 10)	-	-	-	-
Revenue over expenditures (expenditures over revenue) (Note 10)	(797,724)	812,934	15,210	(647,902)
Net assets, ending	\$ (40,848)	\$ 9,000,161	\$ 8,959,313	\$ 8,944,103

The Art Gallery of Windsor
Statement of Financial Position
As at December 31, 2023 (with comparative figures for 2022)

	2023	2022
ASSETS		
Current assets		
Cash	\$ 190,432	\$ 614,984
Accounts receivable	47,534	65,867
Prepaid expenses	23,508	38,408
	<u>261,474</u>	<u>719,259</u>
Long-term assets		
Restricted cash	1,930,479	997,838
Investments (Note 4)	7,355,409	7,902,476
Works of art (Note 6)	1,000	1,000
Property and equipment (Note 5)	35,367	45,479
	<u>\$ 9,583,729</u>	<u>\$ 9,666,052</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 178,644	\$ 347,368
Deferred revenue (Note 9)	445,772	334,581
Current portion of long-term debt (Note 7)	-	40,000
	<u>624,416</u>	<u>721,949</u>
Long-term debt, net of current portion (Note 7)	-	40,000
Less: current portion (Note 7)	-	(40,000)
	<u>-</u>	<u>-</u>
	624,416	721,949
Net assets		
Unrestricted	(40,848)	333,968
Endowment (Note 10)	9,000,161	8,610,135
	<u>8,959,313</u>	<u>8,944,103</u>
	<u>\$ 9,583,729</u>	<u>\$ 9,666,052</u>

Approved on Behalf of the Board:

 _____, Director

 _____, Director

The Art Gallery of Windsor

Statement of Cash Flows

For The Year Ended December 31, 2023 (with comparative figures for 2022)

	2023	2022
Cash flows from operating activities:		
Cash receipts from donors, customers, members and funding agencies	\$ 2,234,407	\$ 2,173,722
Cash paid to suppliers and employees	(2,544,396)	(1,870,338)
	(309,989)	303,384
Cash flows from investing activities:		
Purchase of property and equipment	(5,745)	(31,001)
Decrease in investments	863,823	396,869
Increase in restricted cash	(932,641)	(670,368)
	(74,563)	(304,500)
Cash flows from financing activities:		
Repayment of CEBA Loan	(40,000)	-
	(40,000)	-
Net cash increase in cash and cash equivalents	(424,552)	(1,116)
Cash and cash equivalents, beginning of year	614,984	616,100
Cash and cash equivalents, end of year	\$ 190,432	\$ 614,984

The Art Gallery of Windsor

Notes to the Financial Statements

For The Year Ended December 31, 2023

1. Nature of activities

The Art Gallery of Windsor (the "Gallery"), incorporated without share capital under the laws of Ontario, is a registered charity exempt from income taxes under Section 149(1)(f) of the Income Tax Act of Canada. The Gallery operates an art gallery and provides related services including the promotion and appreciation of the visual arts. The Gallery operates under the name Art Windsor-Essex.

2. Significant accounting policies

Basis of presentation

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit and bank balances. The company maintains cash and cash equivalents at financial institutions to support ongoing operations.

Revenue recognition

The Gallery follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Endowment contributions are recognized as direct increases in net assets. Income earned on resources held for endowment is recognized as income in accordance with the restrictions of the endowment contributions. Unrealized gains and losses are recognized on the statement of operations.

Donated goods and services

Donated services are not recorded in the accounts. Where the value is ascertainable, donated goods are recognized at their fair value.

Restricted cash

Restricted cash is cash held in investments for the Endowment Fund, the Joan and Clifford Hatch Trust, the Gail Ferriss Sheard Purchase Fund and the Dr. Lois Smedick Contemporary Art Endowment Fund and is used in investing activities.

Property and equipment

Amortization of property and equipment is calculated on a straight-line basis using the following annual rates:

Equipment	5 years
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The Art Gallery of Windsor
Notes to the Financial Statements
For The Year Ended December 31, 2023

2. Significant accounting policies (continued)

Works of art

Purchased and contributed works of art are recorded at nominal value. For purchased works of art, the difference between the purchase price and nominal value is recognized in the statement of operations. The value of donated works of art is not recorded, although donors receive a donation receipt for income tax purposes.

Deferred revenue

Deferred revenue represents revenue received for which the related expenditures have not been made.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that effect 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. Specifically, the useful life of property and equipment require the use of management estimates. Actual results could differ from these estimates.

Financial instruments

Measurement of financial instruments

Financial instruments are financial assets or liabilities of the Gallery where, in general, the Gallery has the right to receive cash or another financial asset from another party or the Gallery has the obligation to pay another party cash or other financial assets.

The Gallery initially measures its financial assets and liabilities at fair value.

The Gallery subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at amortized cost include cash, accounts receivable and restricted cash.

The Gallery's financial assets measured at fair value include marketable securities, government bonds and Ontario Arts Foundation.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and long-term debt.

The Art Gallery of Windsor
Notes to the Financial Statements
For The Year Ended December 31, 2023

2. Significant accounting policies (continued)

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- The present value of the cash flows expected to be generated by the asset or group of assets;
- The amount that could be realized by selling the asset or asset group; or
- The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized up to the amount of the previously recognized impairment.

Transaction costs

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized and amortized over the expected life of the instrument using the straight line method for financial instruments that are subsequently measured at cost or amortized cost.

3. Allocation of expenses

The Gallery allocates its salary, benefits and other costs by percentage allocation to various departments. Investment income (net value) for the Joan and Clifford Hatch Trust and the Gail Ferriss Sheard Purchase Fund are allocated to the unrestricted net assets and endowment net assets, respectively, based on the proportionate book value invested.

4. Investments

Investments consist of the following:

	2023	2022
Long-term:		
Ontario Arts Foundation	631,282	567,352
Marketable securities:		
Canadian equities	2,173,913	2,161,781
US equities	1,171,435	1,508,882
International equities	44,561	270,062
Government bonds	3,334,218	3,394,399
	7,355,409	7,902,476
	\$ 7,355,409	\$ 7,902,476

The Art Gallery of Windsor
Notes to the Financial Statements
For The Year Ended December 31, 2023

4. Investments (continued)

The cost of the Ontario Arts Foundation is \$413,747 (2022 - \$413,747), marketable securities is \$2,565,863 (2022 - \$3,324,793) and government bonds \$3,549,961 (2022 - \$3,721,036).

5. Property and equipment

Property and equipment consist of the following:

	Cost	Accumulated depreciation	2023 Net book value	2022 Net book value
Equipment	\$ 780,463	\$ 745,096	\$ 35,367	\$ 45,479

Included in administration expense is amortization of \$15,856 (2022 - \$18,512).

6. Works of art

The works of art are insured for \$44,329,000 as of December 31, 2023 (2022 - \$46,110,000).

The Gallery displayed 649 (2022 - 381) works of art onsite during the year. During the year, the Gallery acquired 146 (2022 - 27) works of art and acquisition expenses totaled \$39,835 (2022 - \$34,498).

7. Long-term debt

During the year, the Gallery repaid the balance of \$40,000 on the Canadian Emergency Business Account that arose from government funding during the COVID-19 pandemic. The amount was paid prior to December 31, 2023, as a result, the remainder of the funding received of \$20,000 was forgiven.

8. Line of Credit

The Gallery has an available operating line of credit of \$150,000. As at December 31, 2023, the balance used was \$NIL (2022 - \$NIL). The line of credit is at prime plus 1.5% and is secured by a general security agreement.

The Art Gallery of Windsor
Notes to the Financial Statements
For The Year Ended December 31, 2023

9. Deferred revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2023. This is primarily composed of deposits on facility rentals, education programs, sponsorships and grant revenue related to future periods.

	2023	2022
Balance, beginning of the year	\$ 334,581	\$ 658,423
Less: amount recognized as revenue in the year	(379,235)	(652,442)
Add: amount received related to future periods	490,426	328,600
	<u>\$ 445,772</u>	<u>\$ 334,581</u>

10. Endowment net assets

The Endowment Net Assets report contributions designated for specific purposes, as follows:

The Ontario Arts Foundation Endowment reports matching contributions from the Ontario Arts Foundation ("OAF") and the net investment income earned thereon to be used by the Gallery for operating purposes. Only income distributed by the OAF to the Ontario Arts Foundation Endowment is available for expenditure for operating purposes. The OAF, which holds the Ontario Arts Foundation Endowment in perpetuity, is responsible for the investment of the funds held and the annual disbursement to the Gallery.

Internally restricted

The Endowment Fund consists of original permanent capital of \$6,815,000. The annual net investment income earned from the investments is available for use by the unrestricted net assets. To the extent there is insufficient net income earned from the investments to meet the disbursement quota, the Gallery is authorized to disburse capital within a range of 3.5% to 4.5% if all of the conditions of Disbursement of Capital within the Investment Policy are met. The investments held in the endowment net assets are to be maintained and invested in accordance with the investment policies of the Gallery. During the year, capital disbursements amounted to \$371,939 (2022 - \$263,397) and capital contributions amounted to \$NIL (2022 - \$138,522) for a net transfer of \$371,939 (2022 - \$124,875).

The Board of Directors established a Contemporary Art Endowment fund in honour of a bequest received from Dr. Lois K. Smedick. The income derived from this contribution is to be used exclusively for the acquisition of contemporary works of art for the Gallery's permanent collection.

Externally restricted

The bequest from Raymond Best was received and is held in perpetuity to purchase historical works of art at the discretion of the Board of Directors.

A bequest from Joan and Clifford Hatch was received and is held in perpetuity with the derived income to be used exclusively for the acquisition and restoration of works of art for the Gallery.

The Art Gallery of Windsor
Notes to the Financial Statements
For The Year Ended December 31, 2023

10. Endowment net assets (continued)

A bequest from Gail Ferriss Sheard was received and is held in perpetuity with derived income to be used to purchase Canadian historical works of art for the Gallery's permanent collection. Any earned income not expended in any year for the said purpose is to be added to the capital of the Gallery.

	Opening	Investment income (net value)	Unrealized gain	Net transfer	Ending
Net asset balances are comprised of:					
Ontario Arts Foundation Endowment	\$ 567,352	\$ 92,899	\$ -	\$ (28,969)	\$ 631,282
Endowment Fund	7,002,419	380,201	276,074	(371,939)	7,286,754
Raymond Best Bequest	81,151	1,543	-	-	82,694
Joan and Clifford Hatch Trust	146,923	2,783	5,805	(5,000)	150,511
Gail Ferriss Sheard Purchase Fund	657,761	12,457	25,984	(10,000)	686,202
Dr. Lois K. Smedick Contemporary Art Endowment Fund	154,530	6,295	8,893	(7,000)	162,718
	<u>\$ 8,610,135</u>	<u>\$ 496,178</u>	<u>\$ 316,756</u>	<u>\$ (422,908)</u>	<u>\$ 9,000,161</u>

The Art Gallery of Windsor
Notes to the Financial Statements
For The Year Ended December 31, 2023

11 Financial instruments

The main risks the Gallery's financial instruments are exposed to are credit, interest rate, liquidity and market risks.

Credit risk

The financial instruments that potentially subject the Gallery to a significant concentration of credit risk consist primarily of cash, accounts receivable and guaranteed investment certificates. The Gallery mitigates its exposure to credit loss by placing its cash and guaranteed investment certificates with major financial institutions. The Gallery is exposed to credit risk in the event of non-payment by their customers for their accounts receivable. The Gallery believes there is minimal risk associated with these amounts due to the diversity of its customers and there are no significant concentrations of accounts receivable with any group of customers that are related to each other.

Interest rate risk

The Gallery is exposed to interest rate risk to the extent that the guaranteed investment certificates and government bonds are at a fixed interest rate. The Gallery does not use derivative financial instruments to alter the effects of the risk.

Liquidity risk

Liquidity risk relates to the risk the Gallery will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its statement of financial position consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Market risk (price risk)

Market risk is the risk that changes in market prices and interest rates will affect the Gallery's net earnings or the value of financial instruments. These risks are generally outside the control of the Gallery. The objective of the Gallery is to mitigate market risk exposures within acceptable limits, while maximizing returns. The Gallery's investments in publicly traded securities expose the Gallery to market risk as such investments are subject to price changes in the open market. The Gallery does not use derivative financial instruments to alter the effects of the risk.

12 Comparative figures

The presentation of certain accounts of the previous years has been changed to confirm with the presentation adopted for the current year.

The Art Gallery of Windsor

Schedule 1

Schedule of Revenue

As at December 31, 2023 (with comparative figures for 2022)

	2023	2022
Grants		
Canada Council for the Arts	\$ 284,000	\$ 340,800
Canadian Urban Institute	-	250,000
Department of Canadian Heritage	-	115,000
Department of Canadian Heritage - Special	128,700	182,019
Ontario Arts Council	201,016	201,016
Ontario Arts Council - Special	-	-
Ontario Cultural Attractions Fund	-	48,000
Ontario Trillium Foundation	267,600	264,000
Government of Canada - Employment and Social Development	37,800	-
Social Sciences and HRC Canada	52,120	-
Federal Economic Development	29,068	106,184
Other	14,125	1,000
	1,014,429	1,508,019
Donations, membership and fundraising		
Unrestricted individual donations	475,753	483,108
Memberships	9,036	5,126
	484,789	488,234
Public programs		
Education workshop	16,941	40,776
Tour fees	11,175	7,927
	28,116	48,703
Admissions	33,304	23,151
Facility rental	23,225	46,823
Other revenue	9,941	20,031
Total revenue	\$ 1,593,804	\$ 2,134,961