

MacKenzie Art Gallery Incorporated
Financial Statements
March 31, 2008

Management's Responsibility

To the Members of MacKenzie Art Gallery Incorporated:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit & Finance Committee are composed entirely of Directors who are neither management nor employees of the Gallery. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit & Finance Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Gallery's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 25, 2008

Director

Auditors' Report

To the Members of MacKenzie Art Gallery Incorporated:

We have audited the balance sheet of MacKenzie Art Gallery Incorporated as at March 31, 2008 and the statements of fund balances, fund revenue and expenses and supporting schedules for the year then ended. These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan

April 25, 2008

Meyers Norris Penny LLP

Chartered Accountants

MacKenzie Art Gallery Incorporated

Balance Sheet

As at March 31, 2008

(in CDN dollars)

	Funds					2008	2007
	Operating	Gift Shop	Acquisition	Capital	Sustaining		
Assets							
Current assets							
Cash and short-term investments <i>(Note 6)</i>	883,601	145,358	35,869	288,938	83,709	1,437,475	1,394,842
Accounts receivable	27,018	11,729	-	3,556	1,748	44,051	20,435
Grants receivable	261,500	-	20,000	-	-	281,500	153,011
Inventories	-	143,824	-	-	-	143,824	141,645
Prepaid expenses	5,381	-	-	-	-	5,381	5,975
	1,177,500	300,911	55,869	292,494	85,457	1,912,231	1,715,908
Objects of art <i>(Note 4)</i>	-	-	-	1	-	1	1
Capital assets <i>(Note 5)</i>	-	-	-	3,244,486	-	3,244,486	3,705,528
Long-term investments <i>(Note 6)</i>	-	-	185,425	-	52,774	238,199	228,689
	1,177,500	300,911	241,294	3,536,981	138,231	5,394,917	5,650,126
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	701,250	4,852	12,599	-	-	718,701	551,832
Deferred revenue	80,037	-	-	-	-	80,037	79,820
Interfund payables (receivables)	384,596	92,016	(266,140)	(6,743)	(203,729)	-	-
	1,165,883	96,868	(253,541)	(6,743)	(203,729)	798,738	631,652
Equity							
Fund balances <i>(Note 7)</i>	11,617	204,043	494,835	3,543,724	341,960	4,596,179	5,018,474
	1,177,500	300,911	241,294	3,536,981	138,231	5,394,917	5,650,126

Approved by the Board of Trustees:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

MacKenzie Art Gallery Incorporated**Statement of Fund Balances***For the year ended March 31, 2008*

(in CDN dollars)

	Funds					2008	2007
	Operating	Gift Shop	Acquisition (Note 7)	Capital (Note 7)	Sustaining		
Beginning balance	10,809	141,970	500,278	4,014,651	350,766	5,018,474	5,443,528
Excess of revenue (expenses) for the year	(24,192)	98,073	(14,443)	(488,927)	7,194	(422,295)	(425,054)
Inter-fund transfers (Note 12)	25,000	(36,000)	9,000	18,000	(16,000)	-	-
Ending balance	11,617	204,043	494,835	3,543,724	341,960	4,596,179	5,018,474

The accompanying notes are an integral part of these financial statements.

MacKenzie Art Gallery Incorporated
Statement of Fund Revenue and Expenses

For the year ended March 31, 2008
(in CDN dollars)

	Schedule	Funds					2008	2007
		Operating	Gift Shop	Acquisition	Capital	Sustaining		
Revenue								
<i>Operating Grants</i>								
	1							
Federal grants		160,000	-	20,000	-	-	180,000	190,000
Municipal & School grants		227,000	-	-	-	-	227,000	227,000
Provincial grants		434,500	-	-	-	-	434,500	420,000
University of Regina		419,046	-	-	-	-	419,046	419,046
		1,240,546	-	20,000	-	-	1,260,546	1,256,046
<i>Programming Grants</i>								
	2							
Federal grants		295,841	-	-	-	-	295,841	168,869
Municipal		82,000	-	-	-	-	82,000	72,000
Provincial grants		2,000	-	-	-	-	2,000	-
		379,841	-	-	-	-	379,841	240,869
<i>Fund Raising</i>								
Donations		133,896	-	2,265	2,000	10,000	148,161	117,458
Net Events & Sponsorship	4	142,822	-	8,875	-	-	151,697	78,300
		276,718	-	11,140	2,000	10,000	299,858	195,758
<i>Earned</i>								
Sales		-	512,666	-	-	-	512,666	433,197
Self-generated	3	185,499	8,454	9,791	(2,255)	(2,806)	198,683	253,141
		185,499	521,120	9,791	(2,255)	(2,806)	711,349	686,338
		2,082,604	521,120	40,931	(255)	7,194	2,651,594	2,379,011
Expenses								
<i>Administration</i>								
Salaries and benefits		1,131,679	85,153	-	-	-	1,216,832	1,205,988
Administrative		125,108	48,282	-	-	-	173,390	166,736
Amortization		-	-	-	488,672	-	488,672	488,457
		1,256,787	133,435	-	488,672	-	1,878,894	1,861,181
<i>Communications & Development</i>								
Communications		97,825	-	-	-	-	97,825	60,921
Development		12,949	-	-	-	-	12,949	14,730
		110,774	-	-	-	-	110,774	75,651
<i>Cost of Goods Sold</i>								
		-	289,612	-	-	-	289,612	240,761
<i>Programming</i>								
Education		49,817	-	-	-	-	49,817	63,365
Exhibitions		589,156	-	-	-	-	589,156	381,180
Outreach program		32,348	-	-	-	-	32,348	21,179
		671,321	-	-	-	-	671,321	465,724

The accompanying notes are an integral part of these financial statements.

MacKenzie Art Gallery Incorporated
Statement of Fund Revenue and Expenses...continued

For the year ended March 31, 2008

(in CDN dollars)

Schedule	Funds					2008	2007
	Operating	Gift Shop	Acquisition	Capital	Sustaining		
<i>Collection Management</i>							
Art Acquisition							
Shipping/Appraisal	14,184	-	-	-	-	14,184	6,408
Collection mgmt & conservation	27,270	-	-	-	-	27,270	22,558
Curatorial general	21,453	-	-	-	-	21,453	20,602
Library collection	5,007	-	-	-	-	5,007	5,100
Permanent collection	-	-	55,374	-	-	55,374	106,080
	67,914	-	55,374	-	-	123,288	160,748
	2,106,796	423,047	55,374	488,672	-	3,073,889	2,804,065
Excess of revenue over (expenses) before the following	(24,192)	98,073	(14,443)	(488,927)	7,194	(422,295)	(425,054)
Permanent Collection donations (Note 4 (a))	-	-	(335,298)	-	-	(335,298)	(140,595)
Donations of Art (Note 4 (b))	-	-	335,298	-	-	335,298	140,595
Excess of revenue (expenses) for the year	(24,192)	98,073	(14,443)	(488,927)	7,194	(422,295)	(425,054)

The accompanying notes are an integral part of these financial statements

MacKenzie Art Gallery Incorporated

Notes to Financial Statements

For the year ended March 31, 2008

(in CDN dollars)

1. Nature of organization

Effective May 1, 1990, the Gallery became custodian of the permanent collection of the Norman MacKenzie Art Gallery, formerly associated with the University of Regina. The permanent collection, acquired prior to May 1, 1990, remains the property of the University of Regina, after which the Gallery began acquiring its own permanent collection.

MacKenzie Art Gallery Incorporated (the "Gallery") is a registered Canadian charitable organization and is exempt from income tax under section 149 (1) (1) of the Income Tax Act.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant principles:

a) *Fund accounting*

The accounts of the Gallery are maintained in accordance with the principles of fund accounting, whereby the resources of the Gallery are classified into funds associated with specific activities or objectives. For financial reporting purposes, there are five funds presented in these financial statements:

- i) The Operating Fund reflects the conduct of general operations and activities.
- ii) The Gift Shop Fund reflects the operations of the gift shop.
- iii) The Acquisition Fund is comprised of donations made and amounts set aside by the Board. These funds may be reserved for a specific purpose.
- iv) The Capital Fund is used to account for leasehold improvements and other capital assets.
- v) The Sustaining Fund is used for capital and operating programs as needed.

Interfund receivables and payables are non-interest bearing and have no fixed terms of repayment.

b) *Objects of art*

The value of objects of art has been excluded from the balance sheet except for a nominal carrying value of \$1. The disbursements for purchased additions are recorded as an expense at cost and donated art is recorded as revenue and expense at its appraised value.

c) *Contributed materials and services*

The Gallery does not recognize contributed materials and services in its financial statements due to the difficulty of determining their fair values.

d) *Capital assets*

Capital assets are recorded at acquisition cost less government assistance and accumulated amortization. Funds recognized that are restricted for purchase of capital assets are deferred and amortized.

MacKenzie Art Gallery Incorporated

Notes to Financial Statements

For the year ended March 31, 2008

(in CDN dollars)

e) Amortization

Amortization of capital assets is provided using the straight-line method at the annual rates ranging from 4% to 6% for storage racks and leasehold improvements, 10 - 20% for furniture and fixtures, 20% for vehicles and 20 - 25% for technical equipment, audio and video equipment and computers.

f) Inventories

Inventories are recorded at the lower of cost and net realizable value.

g) Revenue recognition

The Gallery follows the deferral method of accounting for contributions. Grants, self-generated, sponsorship and other sources of revenue that relate to future fiscal periods, and are received in advance, are recorded as deferred revenue. Pledges are recorded when received. Revenue from the gift shop is recognized when the transfer of the products occur.

h) Financial instruments

The Gallery has classified cash, short-term investments, long-term investments, accounts payable, accrued liabilities and interfund payables as held for trading financial instruments; and accounts receivable and grants receivable as loans and receivable financial instruments.

Held for trading financial assets and liabilities are financial instruments that are acquired or incurred principally for the purpose of selling or repurchasing the instrument in the near term or are initially designated as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Held for trading financial instruments are carried at fair value with both realized and unrealized gains and losses included in the statement of revenue and expenses.

Loans and receivables are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method.

Transaction costs related to held for trading financial instruments are expensed as incurred. Transaction costs related to loans and receivables are netted against the carrying value of the asset and are recognized over the expected life of the instrument using the effective interest method.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses and amortization during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods. These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in earnings in the periods in which they become known.

MacKenzie Art Gallery Incorporated

Notes to Financial Statements

For the year ended March 31, 2008

(in CDN dollars)

j) *Recent Accounting Pronouncements*

Effective April 1, 2008, the Gallery will be required to adopt Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 3862 - Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Gallery is exposed, and how the risks are managed by the Gallery. Section 3863 provides standards for the presentation of financial instruments and non-financial instruments derivatives. The Gallery does not expect the adoption of these new standards to have a material impact on its financial statements, however, these standards will have an impact on the financial statement disclosures.

CICA Handbook Section 3031 Inventories replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. The new Section prescribes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Gallery does not expect the adoption of this new standard to have a material impact on its financial statements.

Effective April 1, 2008, the Gallery will be required to adopt the Canadian Institute of Chartered Accountants (CICA), CICA Handbook Section 1535, capital disclosures. This section establishes standards for disclosing information about the Gallery’s capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate the Gallery’s objectives, policies and processes for managing capital. The Gallery does not expect to be materially affected by the new recommendations.

3. Change in accounting policy

Financial instruments

Effective April 1, 2007, the Gallery adopted the Canadian Institute of Chartered Accountants’ new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party. These standards have been adopted prospectively and have nil effect on the financial statements. The comparative figures have not been restated.

4. Objects of art

a) *Purchased and donated objects of art*

Purchased and donated objects of art are carried at a nominal value of \$1. During the year, the Gallery expensed acquisitions of objects of art in the following amounts:

	2008	2007
Purchased by Acquisition Fund – at cost	55,374	106,080
Donated	335,298	140,595
	<u>390,672</u>	<u>246,675</u>

MacKenzie Art Gallery Incorporated

Notes to Financial Statements

For the year ended March 31, 2008

(in CDN dollars)

b) Donated objects of art

Donated objects of art are recorded as revenue in the Acquisition Fund upon receipt of the appraisal performed by the Canadian Cultural Property Export Review Board. During the year, the Gallery received donations of objects of art in the following amounts:

	2008	2007
Donations received and approved by appraisal	335,298	140,595

c) Insurance coverage

As at March 31, 2008, the combined objects of art owned by, or in the custody of, the Gallery were insured for \$12,950,000 (2007 - \$12,800,000). The policy premium for this insurance coverage was \$9,225 (2007 - \$14,141).

5. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net	Net
Computer equipment	161,619	139,953	21,666	22,954
Leasehold improvements	10,933,470	7,826,727	3,106,743	3,548,895
Furniture and fixtures	295,100	267,887	27,213	31,679
Vehicles	35,705	33,665	2,040	3,060
Technical equipment	133,960	120,393	13,567	24,540
Audio/video equipment	28,636	19,112	9,524	4,352
Storage racks	213,977	150,244	63,733	70,048
	11,802,467	8,557,981	3,244,486	3,705,528

Capital asset purchases for the current year were \$27,630 (2007 - \$45,143).

6. Investments

	2008	2007
Cash and short-term investments		
Cash on hand and on deposit	182,459	105,306
Short-term investments	1,255,017	1,289,536
Total cash and short-term investments	1,437,476	1,394,842
Long-term investments		
Bonds and debentures	238,199	228,689
Total cash, short-term and long-term investments	1,675,675	1,623,531

The market value of short-term investments and long-term investments approximates its carrying value at March 31, 2008. Bonds and debentures have effective interest rates ranging from 3.89% to 7.15% (2007-3.95% to 7.15%) and maturities ranging from 1 to 13.5 years (2007- 0.5 to 16.5 years).

MacKenzie Art Gallery Incorporated

Notes to Financial Statements

For the year ended March 31, 2008

(in CDN dollars)

7. Acquisition and Capital Funds

	2008	2007
The balance of equity in each of the individual funds comprising the Acquisition Fund is as follows:		
In-Memorial Fund	11,445	10,580
Membership Funds	257,609	244,374
Unrestricted Fund	225,781	245,324
	494,835	500,278

The balance of equity in each of the individual funds comprising the Capital Fund is as follows:

Funds designated for members' lounge improvements	5,000	5,000
Operating Fund contribution to Capital Fund	96,709	96,709
Reserve for capital purchases	84,359	84,359
Unrestricted	113,170	123,055
Invested in capital assets	3,244,486	3,705,528
	3,543,724	4,014,651

The portion of the Capital Fund that is invested in capital assets represents the unamortized value of leasehold improvements and other capital assets (*note 5*) that have been contributed to the Gallery since its inception in 1990.

8. Pension plans

Employees of the Gallery are eligible to participate in the University of Regina's Non-Academic Pension Plan and the Academic and Administrative Employees Pension Plan. These plans are administered by the University of Regina and are defined benefit final average pension plans. Contributions are made to the plans in accordance with the respective collective agreements in place as well as the employee benefit plans offered to out of scope employees. The Gallery is liable for its pro-rata share of any actuarial deficiency since May 1, 1990. In addition, effective January 1, 2000 a defined contribution component was added to the Academic and Administrative plans for all new Gallery employees and past members were given the choice to join the new plan.

The most recent actuarial valuation for the defined benefit plans resulted in a surplus for both the University of Regina's Non-Academic Pension Plan and the Academic and Administrative Employees Pension Plan as at December 31, 2006 and December 31, 2005 respectively. The Gallery records as pension expense its contributions to the pension plans. The expense recorded in 2008 was \$108,601 (2007 - \$102,754).

9. Commitment

The Gallery entered into a lease agreement dated July 26, 1990 with the Province of Saskatchewan, which provides the Gallery with lease premises for twenty-five years at \$1 per year. This lease expires in 2015 at which time there is a ten year option renewal with the same terms and conditions.

10. Statement of cash flows

A statement of cash flows has not been presented as it would not provide additional meaningful information.

MacKenzie Art Gallery Incorporated

Notes to Financial Statements

For the year ended March 31, 2008

(in CDN dollars)

11. Financial instruments

The Gallery as part of its operations carries a number of financial instruments, which include cash, short-term investments, accounts receivable, grants receivable, long-term investments, accounts payable and accrued liabilities, and interfund payables/receivables. It is management's opinion that the Gallery is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value

The carrying amount of the Gallery's financial instruments approximates their fair value due to their relatively short-term maturity, except for long-term investments which is disclosed in Note 6.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Gallery is exposed to interest rate risk primarily relating to its short-term and long-term investments.

12. Inter-fund transfers

During the year the Board of Directors approved the following transfers:

	<i>2008</i>	<i>2007</i>
Operating Fund	25,000	24,000
Gift Shop Fund	(36,000)	(60,000)
Acquisition Fund	9,000	-
Capital Fund	18,000	36,000
Sustaining Fund	(16,000)	-
	<hr/>	<hr/>
	-	-

13. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

MacKenzie Art Gallery Incorporated
Schedules

For the year ended March 31, 2008

Schedule of Operating Grants (Operating and Acquisition Funds)

Schedule 1

	<i>2008</i>	<i>2007</i>
Federal Grants		
Canada Council – Operating Grant	160,000	160,000
Canada Council – Acquisitions Assistance	20,000	30,000
	180,000	190,000
Municipal and School Grants		
City of Regina	200,000	200,000
Public School Board	15,000	15,000
Catholic School Board	12,000	12,000
	227,000	227,000
Provincial Grants		
Province of Saskatchewan	275,000	275,000
Saskatchewan Arts Board	159,500	145,000
	434,500	420,000

Schedule of Programming Grants (Operating)

Schedule 2

	<i>2008</i>	<i>2007</i>
Federal Grants		
Canada Council - Supplementary Grant	55,000	-
Canada Council –Architecture Grant	18,000	-
Department of Canadian Heritage – Museums Assistance Program	175,074	18,071
CHIN- Virtual Museums of Canada	41,958	141,731
Employment Grants	5,809	9,067
	295,841	168,869
Municipal Grants		
Regina Arts Commission	72,000	72,000
City of Regina – Contingency Program	10,000	-
	82,000	72,000
Provincial Grants		
Saskatchewan Heritage –Project Grant	2,000	-
	2,000	-

MacKenzie Art Gallery Incorporated

Schedules...continued

For the year ended March 31, 2008

Schedule of Self-Generated Revenues

Schedule 3

	Funds					<i>2008</i>	<i>2007</i>
	Operating	Gift Shop	Acquisition	Capital	Sustaining		
Investment (loss)							
income	(527)	3,469	(3,444)	(2,255)	(2,806)	(5,563)	120,691
Exhibition fees	12,000	-	-	-	-	12,000	47,320
Other	38,485	4,985	-	-	-	43,470	31,549
Memberships	13,235	-	13,235	-	-	26,470	25,390
Education program							
fees	20,002	-	-	-	-	20,002	16,246
Catalogue sales	2,032	-	-	-	-	2,032	4,307
Conservation							
treatments	11,913	-	-	-	-	11,913	7,638
Admission	88,359	-	-	-	-	88,359	-
	185,499	8,454	9,791	(2,255)	(2,806)	198,683	253,141

Schedule of Net Events and Sponsorship

Schedule 4

	Funds					<i>2008</i>	<i>2007</i>
	Operating	Acquisition	Capital	Sustaining	Expenses		
Champions sponsorship	40,000	-	-	-	-	40,000	25,500
Bazaar	57,765	-	-	-	14,171	43,594	44,861
Art in Bloom	-	-	-	-	-	-	7,939
Fall Event							
- Gala Art Auction	63,460	8,875	-	-	27,070	45,265	-
Winter Event							
- Warhol	32,752	-	-	-	9,914	22,838	-
	193,977	8,875	-	-	51,155	151,697	78,300