

Art Gallery of Ontario

Financial statements

March 31, 2022



Managerial responsibilities

The Board of Trustees, which is responsible for, among other things, the financial statements of the **Art Gallery of Ontario** [the "Gallery"], delegates to management the responsibility of the financial statements. Responsibility for their review is that of the Finance Committee. Each year, the Trustees of the Gallery appoint independent auditors to audit and report directly to them on the financial statements. The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, which were consistently applied. Management maintains a system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Management believes its system provides the appropriate balance in this respect.

The Gallery's Finance Committee, which carries out the function of an Audit Committee, is appointed by the Board of Trustees annually. The Finance Committee is comprised of members of the Board and two ex-officio non-voting members of management. The Finance Committee meets with management and with the independent auditors [who have free access to the Finance Committee] to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditor's report. The Finance Committee reports its findings to the Board of Trustees for its consideration in approving the financial statements for issuance to the Members of the Gallery.

A handwritten signature in black ink, appearing to read 'Stephan Jost', written in a cursive style.

Stephan Jost
Michael and Sonja Koerner Director and CEO
June 22, 2022

Independent auditor's report

To the Members of the
Art Gallery of Ontario

We have audited the financial statements of the **Art Gallery of Ontario** [the "Gallery"], which comprise the balance sheet as at March 31, 2022, and the statement of operations and changes in net surplus and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 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 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.
- 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.

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.

Ernst & Young LLP

Toronto, Canada
June 22, 2022

Chartered Professional Accountants
Licensed Public Accountants



Art Gallery of Ontario

Balance sheet

[in thousands of dollars]

As at March 31

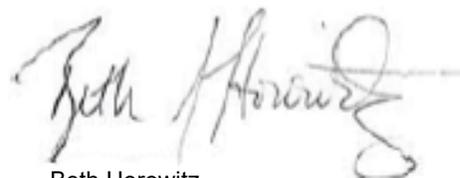
	2022	2021
	\$	\$
Assets		
Current		
Cash	12,121	20,163
Short-term investment, amortized cost	7,000	—
Grants and accounts receivable [notes 16 and 17]	4,938	2,732
Inventories	680	769
Other assets [note 3]	2,960	1,443
Total current assets	27,699	25,107
Works of art, at nominal value [note 4]	1	1
Capital assets, net [note 5]	206,650	215,580
Accrued pension asset [note 12]	1,081	3,729
Total assets	235,431	244,417
Liabilities and net surplus		
Current		
Accounts payable and accrued liabilities [note 14[d]]	12,086	12,436
Deferred contributions [note 7]	20,235	16,390
Deferred revenue	3,937	4,341
Current portion of long-term debt [notes 6[b] and 6[c]]	552	552
Total current liabilities	36,810	33,719
Long-term debt [notes 6[b] and 6[c]]	6,611	7,163
Deferred capital contributions [note 8]	191,326	200,422
Total liabilities	234,747	241,304
Cumulative net surplus [note 10]	684	3,113
	235,431	244,417

See accompanying notes

On behalf of the Board of the Trustees:



Rupert Duchesne
President
Trustee



Beth Horowitz
Chair, Finance
Committee Trustee

Art Gallery of Ontario

Statement of operations and changes in net surplus

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Revenue		
Government grants <i>[note 9]</i>	32,748	35,151
Admissions	1,910	181
Membership fees	3,576	584
Donations and bequests <i>[note 7]</i>	10,523	10,847
Programming and outreach	181	105
Gallery shop	2,577	879
Food and beverage	1,571	233
The Art Gallery of Ontario Foundation <i>[note 14[b]]</i>	2,336	1,652
Investment income	55	111
Gifted works of art <i>[note 4]</i>	9,416	14,544
Miscellaneous	1,374	1,940
Amortization of deferred capital contributions <i>[note 8]</i>	10,014	9,936
	76,281	76,163
Expenses		
Administration <i>[notes 13 and 14[d]]</i>	11,040	14,357
Physical plant and security	8,910	8,344
Curatorial, collections and exhibitions	15,190	10,915
Programming and outreach	3,262	2,987
Membership and fundraising	4,622	3,925
Visitor welcome, marketing and promotion	5,187	3,188
Gallery shop <i>[note 13]</i>	2,653	1,617
Food and beverage <i>[note 13]</i>	3,650	2,917
Accession of art for collection <i>[note 4]</i>		
Gifted	9,416	14,544
Purchased	1,527	2,491
Amortization of capital assets	10,544	10,624
Interest <i>[notes 6[b] and 6[c]]</i>	225	241
	76,226	76,150
Excess of revenue over expenses for the year	55	13
Net surplus (deficit), beginning of year	3,113	(5,597)
Remeasurements related to pension plan	(2,484)	8,697
Cumulative net surplus, end of year <i>[note 10]</i>	684	3,113

See accompanying notes

Art Gallery of Ontario

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	55	13
Add (deduct) items not affecting cash		
Amortization of capital assets	10,544	10,624
Amortization of deferred capital contributions	(10,014)	(9,936)
Pension expense	2,090	2,440
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	(553)	9,768
Employer contributions to pension plan	(1,926)	(1,889)
Cash provided by operating activities	196	11,020
Investing activities		
Purchase of short-term investments	(7,000)	—
Purchase of capital assets <i>[note 11]</i>	(1,604)	(1,866)
Cash used in investing activities	(8,604)	(1,866)
Financing activities		
Repayment of long-term debt	(552)	(552)
Contributions restricted for capital asset purchases <i>[note 8]</i>	918	1,364
Cash provided by financing activities	366	812
Net increase (decrease) in cash during the year	(8,042)	9,966
Cash, beginning of year	20,163	10,197
Cash, end of year	12,121	20,163

See accompanying notes

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

1. Description

The Art Gallery of Ontario [the “Gallery”] is incorporated under the *Art Gallery of Ontario Act, 1966* [the “Act”] and is a transfer payment recipient of the Ministry of Tourism, Culture and Sport of the Province of Ontario by virtue of this Act. The Gallery holds its collection of works of art in trust for the people of Ontario.

The Art Gallery of Ontario Foundation [the “Foundation”] is an independent corporation, incorporated under the laws of Ontario without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the benefit of the Gallery. The accounts of the Foundation are not included in the accompanying financial statements. Funds from the Foundation are given to the Gallery when approved by the independent Board of Trustees of the Foundation [note 14].

The Gallery is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

The Gallery follows the deferral method of accounting for contributions, which include donations, bequests and government grants. Grants and bequests are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Membership fees are deferred and recognized as revenue over the term covered by the fees. Revenue from the sale of goods and services is recorded when the goods are delivered and the services are rendered. Lease revenue is recognized as rents become due and is recorded as miscellaneous revenue in the statement of operations and changes in net surplus.

Inventories

Inventories, which represent goods held for resale, are valued at the lower of cost and net realizable value. Inventory value is determined using the weighted average method.

Works of art

The value of works of art has been excluded from the balance sheet except for a nominal value of \$1,000. Gifted works of art are recorded as revenue at values based on appraisals by independent appraisers. Accession of art for collection, both gifted and purchased, is expensed.

When works of art are deaccessioned and then sold, proceeds from the sale of the deaccessioned works of art must be restricted to acquire new works of art or for direct care of the art. Proceeds from the sale of deaccessioned works of art are included in deferred contributions and recognized as revenue when the expense related to the acquisition of the new works of art or expense for direct care is recorded.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are capitalized at fair market value at the date of contribution. When significant parts of capital assets have different useful lives, they are accounted for as separate components. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and building improvements	20–40 years
Equipment and furnishings	3–10 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Gallery's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations and changes in net surplus. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Other assets

Costs directly related to the development of future temporary exhibitions and future special events are presented as other assets when the Gallery can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their useful life, which for future temporary exhibitions is the period over which the exhibition is held and for future special events is the date of the event. Such costs are expensed immediately when they are related to advertising or promotion and when there is insufficient evidence that the costs are recoverable.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. Revenue and expenses are translated at the rate in effect on the settlement date. Foreign exchange gains and losses are recorded in the statement of operations and changes in net surplus.

Donated materials and services

The value of materials and volunteer and other services donated to the Gallery is not recorded in the financial statements.

Pension plan

The Gallery maintains a defined benefit pension plan and accounts for this plan using the immediate recognition approach. Under this approach, the Gallery recognizes the amount of the accrued obligation net of the fair value of plan assets in the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net surplus. The accrued pension asset (liability) is determined using a roll-forward technique to estimate the accrued pension asset (liability) using funding assumptions from the most recent actuarial valuation report prepared at least every three years. Pension plan assets are measured at fair value at the date of the balance sheet.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

Contributions to the money purchase component of the pension plan are expensed when due.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support costs are not allocated except for amounts allocated to gallery shop and food and beverage related to facility operating costs.

Financial instruments

The Gallery initially measures its financial assets and liabilities at fair value. The Gallery subsequently measures all its financial assets and liabilities at amortized cost, net of any provisions for impairment.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, short-term investments, grants and accounts receivable and accounts payable and accrued liabilities.

3. Other assets

Other assets consist of the following:

	2022	2021
	\$	\$
Future exhibition costs	2,790	1,407
Prepaid expenses	170	36
	<u>2,960</u>	<u>1,443</u>

4. Works of art

As at March 31, 2022, the Gallery's collection of approximately 107,011 [2021 – 106,565] artworks contained paintings, sculptures, works on paper, photographs, contemporary installations and time-based media artworks from Indigenous, Canadian and International artists. During fiscal 2022, the Gallery purchased 105 [2021 – 118] works of art at a total cost of \$1,527,000 [2021 – \$2,491,000]. Contributions to the collection included 341 [2021 – 125] works of art with an estimated fair value of \$9,416,000 [2021 – \$14,544,000]. During the year, 30 [2021 – 16] deaccessioned works of art were sold, realizing proceeds of \$124,000 [2021 – \$147,000] [note 7].

Included in the Gallery purchased works of art is \$307,000 [2021 – \$1,227,000] works of art purchased using proceeds from the sale of deaccessioned works from prior years. As at March 31, 2022, the Gallery has \$2,315,000 [2021 – \$2,498,000] unspent proceeds that is included in deferred contributions [note 7].

There were no write-downs of collections in 2022 or 2021.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

5. Capital assets

Capital assets consist of the following:

	2022	
	Cost	Accumulated amortization
	\$	\$
Land	11,425	—
Buildings and building improvements		
Transformation AGO	220,989	74,949
Weston Family Learning Centre	19,331	10,391
Other [note 6[b]]	110,696	77,667
Equipment and furnishings	31,071	23,855
	393,512	186,862
Less accumulated amortization	186,862	
Net book value	206,650	
	2021	
	Cost	Accumulated amortization
	\$	\$
Land	11,425	—
Buildings and building improvements		
Transformation AGO	220,989	69,418
Weston Family Learning Centre	19,331	9,395
Other [note 6[b]]	110,696	75,161
Equipment and furnishings	29,457	22,344
	391,898	176,318
Less accumulated amortization	176,318	
Net book value	215,580	

Included in other buildings and building improvements is \$842,573 [2021 – \$788,169] related to construction in progress, which will be amortized once the capital assets are put in service.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

6. Credit facility and long-term debt

- [a] The Gallery has a \$4,500,000 revolving demand line of credit for operating purposes bearing interest at the bank's prime lending rate. As at March 31, 2022 and 2021, no amount was drawn on this line of credit.
- [b] On September 30, 2019, the Gallery entered into a secured fixed rate term agreement with a 15-year amortization period for an amount of \$2,852,000. This loan bears interest at a fixed rate of 2.94% per annum for the first three years and can be renegotiated at the end of the three-year period and is secured by a property. The loan is repayable in monthly instalments comprising principal and interest of \$15,732. As at March 31, 2022 \$2,583,000 [2021 – \$2,691,000] is outstanding, of which \$108,000 [2021 – \$108,000] is the current portion and \$2,475,000 [2021 – \$2,583,000] is long term. The interest on the loan for the year ended March 31, 2022 was \$77,000 [2021 – \$80,000] and is included in interest expense in the statement of operations and changes in net surplus.
- [c] On July 27, 2017, the Gallery entered into an unsecured loan agreement with a 15-year amortization period for an amount of \$6,650,000. This loan bears interest at a fixed rate of 3.060% per annum for the first five years and can be renegotiated at the end of the five-year period. The loan is repayable in principal monthly instalments of \$37,000 plus interest. As at March 31, 2022, \$4,580,000 [2021 – \$5,024,000] is outstanding, of which \$444,000 [2021 – \$444,000] is the current portion and \$4,136,000 [2021 – \$4,580,000] is long term. The interest on the loan for the year ended March 31, 2022 was \$148,000 [2021 – \$161,000] and is included in interest expense in the statement of operations and changes in net surplus.

7. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations for acquisitions of works of art, capital assets and other restricted purposes. The changes in the deferred contributions balance are as follows:

	2022	2021
	\$	\$
Balance, beginning of year	16,390	13,647
Grants and donations received for restricted purposes [notes 9[b] and 15]	9,501	8,736
Proceeds from sale of deaccessioned works of art [note 4]	124	147
Amounts transferred to deferred capital contributions [note 8]	(918)	(1,364)
Amounts recognized as revenue during the year [note 4]	(4,862)	(4,776)
Balance, end of year	20,235	16,390

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received and spent for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net surplus. The changes in the deferred capital contributions balance are as follows:

	2022 \$	2021 \$
Balance, beginning of year	200,422	208,994
Amortization of deferred capital contributions	(10,014)	(9,936)
Contributions transferred from deferred contributions <i>[note 7]</i>	918	1,364
Balance, end of year	191,326	200,422

9. Government grants

[a] Details of government grants recorded as revenue are as follows:

	2022 \$	2021 \$
Government of Ontario	21,343	21,072
Government of Canada <i>[note 17]</i>	10,733	13,395
City of Toronto	672	684
	32,748	35,151

[b] During the year, the Gallery received an additional \$815,000 [2021 – \$1,730,000] in government grants from the Government of Ontario for the acquisition of capital assets. These grants are recorded as deferred contributions *[note 7]* when first received and then transferred to deferred capital contributions *[note 8]* as they are spent.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

10. Net surplus

Changes in the components of net surplus (deficit) as at March 31 are as follows:

	2022		2021	
	Accumulated surplus	Board restricted	Total	Total
	\$	\$	\$	\$
Net surplus (deficit), beginning of year	2,884	229	3,113	(5,597)
Excess of revenue over expenses for the year	55	—	55	13
Remeasurements related to pension plan	(2,484)	—	(2,484)	8,697
Net surplus, end of year	455	229	684	3,113

11. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2022	2021
	\$	\$
Grants and accounts receivable	(2,206)	1,979
Inventories	89	76
Other assets	(1,517)	(502)
Accounts payable and accrued liabilities	(360)	5,561
Deferred contributions	3,845	2,743
Deferred revenue	(404)	(89)
	(553)	9,768

As at March 31, 2022, \$133,150 [2021 – \$123,391] is included in accounts payable and accrued liabilities related to capital asset acquisitions.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

12. Pension plan

The Gallery maintains a pension plan that covers substantially all of its employees. The plan provides retirees with pensions on a money purchase basis or on a defined benefit basis using a formula based on service and the best five years of earnings.

The latest actuarial valuation for the pension plan was performed as of September 1, 2021. The Gallery measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at March 31 of each year. Information about the defined benefit component of the Gallery's pension plan is as follows:

	2022	2021
	\$	\$
Fair value of plan assets	53,253	51,433
Accrued benefit obligation	52,172	47,704
Accrued pension asset	1,081	3,729

13. Allocation of expenses

General support costs have been allocated to the following functions:

	2022	2021
	\$	\$
Gallery shop	54	47
Food and beverage	103	83
	157	130

14. The Art Gallery of Ontario Foundation

[a] The accounts of the Foundation are presented separately and are not included in these financial statements. As at December 31, the fund balances of the Foundation were as follows:

	2021	2020
	\$	\$
Unrestricted	3,383	2,961
Restricted	28,931	20,349
Endowment	92,470	84,423
	124,784	107,733

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

[b] During the year ended March 31, the Foundation contributed the following amounts for the indicated purposes:

	2022 \$	2021 \$
Operations [note 15]	1,990	988
Acquisitions	346	664
	2,336	1,652

[c] The Foundation receives consulting services from Stephan Jost, the Michael and Sonja Koerner Director and CEO of the Gallery, who is not an employee of the Foundation. The expenses recorded in the Foundation accounts for the year ended December 31, 2021 related to these services were \$207,880 [2020 – \$184,060].

[d] During the year, the Gallery made a grant of 3,200,000 [2021 – \$5,363,000] to the Foundation, which is included in administration expenses. As at March 31, 2022, 3,200,000 [2021 – \$5,363,000] is included in accounts payable and accrued liabilities.

15. Volunteers of the Art Gallery of Ontario

The Volunteers of the Art Gallery of Ontario support the Gallery's mission through their active support of Gallery initiatives and programming. In accordance with the current partnership between the Gallery and the Volunteers of the Art Gallery of Ontario, all monies attributable to volunteer efforts are reflected directly in the Gallery's revenue.

During the year ended March 31, 2022, the Volunteers of the Art Gallery of Ontario donated \$58,898 [2021 – \$60,011] to support the AGO Access Initiative [2021 – *The Montgomery Collection: Exhibition & Research*], from endowment income of the Volunteer Endowment Trust. These funds were transferred from the Volunteer Funds held within the Foundation [note 14] and are recorded as deferred contributions on the balance sheet.

16. Financial instruments and risk management

The Gallery is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Gallery is exposed to credit risk in connection with its grants and accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Gallery assesses the credit rating of the other party. It is management's opinion that the risk related to receivables is minimal.

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2022

Currency risk

The Gallery is exposed to currency risk with respect to its accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies, as the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Gallery manages this risk by maintaining cash balances in the foreign currency from the settlement of its accounts receivables to settle amounts in accounts payable as they become due.

Liquidity risk

The Gallery is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Gallery mitigates this risk by monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise.

17. COVID-19

The Gallery's results and operations have continued to be impacted by the outbreak of COVID-19. During the year the government had mandated different measures in Ontario such as the closure of facilities or as restrictions were being lifted, capacity restrictions, before returning back to no restrictions allowing businesses to operate at full capacity again.

The closures and capacity restrictions directly impacted the Gallery's temporary exhibition schedule which, in turn, impacted several areas of its operation. Aside from the impact on direct revenue, the closures resulted in lower expenses for exhibitions, marketing, utilities and other major expense categories. During the various stages, the Gallery worked to provide online content and engagement with key audience segments to ensure the strong connection is maintained and regenerated when the Gallery was able to reopen.

Revenue for the Gallery was significantly impacted by the restrictions in operations. In 2020/21 the Gallery designed and implemented a plan to fund most labour, including part-time staff that elect to be recalled from Declared Emergency Leave. The funding plan was comprised of confirmed donations and funding from the Canada Emergency Wage Subsidy ["CEWS"]. The CEWS program provided a grant of \$10,015,000 [2021 – \$13,169,000] which is recorded in government grants in the statement of operations and changes in net surplus [note 9]. As at March 31, 2022, \$4,325,000 [2021 – \$2,437,000] is included in accounts receivable.

Management considered the impact of COVID-19 in its assessment of the Gallery's assets and liabilities and its ability to continue as a going concern. Although COVID-19 has had a significant impact on operations, management believes that the Gallery continues to have sufficient liquid resources to manage the business through the next year.