

Financial Statements

**Art Gallery of Ontario**  
March 31, 2013

## 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 auditors' 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.

Matthew Teitelbaum  
Michael and Sonja Koerner Director and CEO  
June 19, 2013.

## INDEPENDENT AUDITORS' REPORT

To the Members of the  
**Art Gallery of Ontario**

We have audited the accompanying financial statements of the **Art Gallery of Ontario**, which comprise the balance sheets as at March 31, 2013 and 2012, and April 1, 2011 and the statements of operations and changes in net surplus and cash flows for the years ended March 31, 2013 and 2012, 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 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.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Art Gallery of Ontario** as at March 31, 2013 and 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,  
June 19, 2013.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

## Art Gallery of Ontario

### BALANCE SHEETS

[in thousands of dollars]

As at

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	12,574	10,859	12,226
Grants and accounts receivable <i>[note 15[d]]</i>	1,653	995	1,990
Inventories	848	865	768
Other <i>[note 3]</i>	711	1,742	916
<b>Total current assets</b>	<b>15,786</b>	<b>14,461</b>	<b>15,900</b>
Works of art, at nominal value <i>[note 4]</i>	1	1	1
Capital assets, net <i>[note 5]</i>	246,337	253,257	254,681
Accrued pension asset <i>[note 12]</i>	3,098	2,976	2,104
	<b>265,222</b>	<b>270,695</b>	<b>272,686</b>
<b>LIABILITIES AND NET SURPLUS</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9,663	7,832	10,806
Deferred contributions <i>[note 7]</i>	6,117	7,247	3,863
Deferred revenue	3,122	2,812	2,318
<b>Total current liabilities</b>	<b>18,902</b>	<b>17,891</b>	<b>16,987</b>
Long-term debt <i>[note 6[b]]</i>	—	2,300	12,800
Deferred capital contributions <i>[notes 8 and 17]</i>	242,981	247,900	240,348
<b>Total liabilities</b>	<b>261,883</b>	<b>268,091</b>	<b>270,135</b>
Commitments <i>[note 14]</i>			
<b>Net surplus <i>[note 10]</i></b>	<b>3,339</b>	<b>2,604</b>	<b>2,551</b>
	<b>265,222</b>	<b>270,695</b>	<b>272,686</b>

See accompanying notes

On behalf of the Board of the Trustees:



Tony Gagliano  
President  
Trustee



Rupert Duchesne  
Chair, Finance Committee  
Trustee

## Art Gallery of Ontario

### STATEMENTS OF OPERATIONS AND CHANGES IN NET SURPLUS

[in thousands of dollars]

Years ended March 31

	2013	2012
	\$	\$
<b>REVENUE</b>		
Government grants <i>[notes 7 and 9]</i>	26,604	22,624
Admissions	5,618	3,064
Membership fees	4,275	3,231
Donations and bequests <i>[notes 7 and 17]</i>	9,283	9,353
Education, outreach and program	1,552	1,143
Gallery shop	4,839	3,675
Food and beverage	8,010	7,094
The Art Gallery of Ontario Foundation <i>[notes 15[b] and 16]</i>	793	701
Investment income	234	243
Gifted works of art <i>[note 4]</i>	8,839	5,498
Miscellaneous	892	1,068
Amortization of deferred capital contributions	9,207	9,187
	<b>80,146</b>	<b>66,881</b>
<b>EXPENSES</b>		
Administration <i>[note 15[e]]</i>	7,937	5,171
Physical plant and security	9,564	9,137
Curatorial and exhibitions	15,980	12,808
Education, outreach and programs	4,676	4,149
Membership and fundraising <i>[note 17]</i>	4,702	4,187
Marketing and promotion	5,112	5,428
Gallery shop <i>[note 13]</i>	4,551	3,601
Food and beverage <i>[note 13]</i>	8,060	7,142
Accession of art for collection <i>[note 4]</i>		
Gifted	8,839	5,498
Purchased	514	246
Interest	75	485
Amortization of capital assets	9,523	9,504
	<b>79,533</b>	<b>67,356</b>
Excess (deficiency) of revenue over expenses before pension adjustment	613	(475)
Pension adjustment <i>[note 12[b]]</i>	122	528
<b>Excess of revenue over expenses for the year</b>	<b>735</b>	<b>53</b>
Net surplus, beginning of year	2,604	2,551
<b>Net surplus, end of year <i>[note 10]</i></b>	<b>3,339</b>	<b>2,604</b>

See accompanying notes

## Art Gallery of Ontario

### STATEMENTS OF CASH FLOWS

[in thousands of dollars]

Years ended March 31

	2013	2012
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	735	53
Add (deduct) non-cash items		
Amortization of capital assets	9,523	9,504
Amortization of deferred capital contributions	(9,207)	(9,187)
Net change in non-cash working capital balances related to operations <i>[note 11[a]]</i>	1,401	3,759
Increase in accrued pension asset	(122)	(872)
<b>Cash provided by operating activities</b>	<b>2,330</b>	<b>3,257</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,603)	(10,863)
<b>Cash used in investing activities</b>	<b>(2,603)</b>	<b>(10,863)</b>
<b>FINANCING ACTIVITIES</b>		
Contributions restricted for capital asset purchases	4,288	16,739
Repayment of long-term debt	(2,300)	(10,500)
<b>Cash provided by financing activities</b>	<b>1,988</b>	<b>6,239</b>
<b>Net increase (decrease) in cash and cash equivalents     during the year</b>	<b>1,715</b>	<b>(1,367)</b>
Cash and cash equivalents, beginning of year	10,859	12,226
<b>Cash and cash equivalents, end of year</b>	<b>12,574</b>	<b>10,859</b>

*See accompanying notes*

## Art Gallery of Ontario

# NOTES TO FINANCIAL STATEMENTS

March 31, 2013

## 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 and Culture 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 incorporated under the laws of Ontario as a separate corporation without share capital and receives and manages the endowment funds held 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 15].

The assets and liabilities of the Gallery's pension plan are reported separately and are not included in these financial statements [note 12].

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 Canadian Institute of Chartered Accountants' ["CICA"] Handbook - Accounting 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 and government grants. Grants are recognized 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.

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, bankers' acceptances and guaranteed investment certificates with an original term to maturity of less than 90 days.

#### 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 sheets 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.

#### Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

#### Other assets

Costs directly related to the development of future temporary exhibitions, future special events and special fundraising campaigns 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, for future special events is the date of the event and for special fundraising campaigns is the period over which pledges are collected. Such costs are expensed immediately when they are related to advertising or promotion and when there is insufficient evidence that the costs are recoverable.



## **Art Gallery of Ontario**

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2013

#### **Translation of foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated 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 statements 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 accrues its obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance and salary escalation. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the cumulative balance of any net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 16 years. Liabilities are discounted at current rates on long-term bonds.

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.

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

#### 3. OTHER ASSETS

Other assets consist of the following:

	<b>March 31,</b> <b>2013</b>	<b>March 31,</b> <b>2012</b>	<b>April 1,</b> <b>2011</b>
	\$ [000's]	\$ [000's]	\$
Future exhibition costs	<b>603</b>	1,653	617
Prepaid expenses	<b>108</b>	89	299
	<b>711</b>	1,742	916

#### 4. WORKS OF ART

As at March 31, 2013, the collection consisted of approximately 88,800 [March 31, 2012 - 83,700; April 1, 2011 - 83,300] works of art. During fiscal 2013, the Gallery purchased 82 [2012 - 28] works of art at a total cost of \$514,000 [2012 - \$246,000]. Contributions to the collection included 4,978 [2012 - 375] works of art with an estimated fair value of \$8,839,000 [2012 - \$5,498,000].

#### 5. CAPITAL ASSETS

Capital assets consist of the following:

	<b>March 31, 2013</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>
	\$ [000s]	\$
Land	<b>525</b>	—
Buildings and building improvements		
Transformation AGO	<b>220,725</b>	<b>25,193</b>
Weston Family Learning Centre [note 17]	<b>19,187</b>	<b>1,429</b>
Other	<b>87,642</b>	<b>57,932</b>
Equipment and furnishings	<b>17,028</b>	<b>14,216</b>
	<b>345,107</b>	<b>98,770</b>
Less accumulated amortization	<b>98,770</b>	
<b>Net book value</b>	<b>246,337</b>	

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

	<b>March 31, 2012</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>
	\$	[000s] \$
Land	525	—
Buildings and building improvements		
Transformation AGO	220,711	19,685
Weston Family Learning Centre <i>[note 17]</i>	17,702	442
Other	86,249	55,720
Equipment and furnishings	16,165	13,400
Construction in progress -		
Weston Family Learning Centre <i>[note 17]</i>	1,152	—
	342,504	89,247
Less accumulated amortization	89,247	
<b>Net book value</b>	<b>253,257</b>	

	<b>April 1, 2011</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>
	\$	[000s] \$
Land	525	—
Buildings and building improvements		
Transformation AGO	220,576	13,773
Other	85,383	53,469
Equipment and furnishings	15,503	12,499
Construction in progress -		
Weston Family Learning Centre <i>[note 17]</i>	12,435	—
	334,422	79,741
Less accumulated amortization	79,741	
<b>Net book value</b>	<b>254,681</b>	

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

#### 6. CREDIT FACILITIES

[a] The Gallery has a line of credit for operating purposes. It is a \$4,500,000 revolving demand loan bearing interest at the prime lending rate, of which no amount was drawn as at March 31, 2013 or 2012, or April 1, 2011.

[b] As at March 31, 2011, the Gallery had a construction financing term loan of \$12,800,000 with an interest rate at prime that matured on April 20, 2011.

On April 20, 2011, a reducing term facility with an interest rate of prime plus 1%, maturing on April 20, 2014 was executed with the existing lenders for an initial value of \$12,800,000. As at March 31, 2013, the term facility was repaid in full.

#### 7. DEFERRED CONTRIBUTIONS

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

	2013	[000s]	2012
	\$		\$
<b>Balance, beginning of year</b>	<b>7,247</b>		3,863
Grants and donations received for restricted purposes <i>[note 9[b]]</i>	<b>3,795</b>		5,095
Less amounts recognized as revenue during the year	<b>(4,925)</b>		(1,711)
<b>Balance, end of year</b>	<b>6,117</b>		7,247

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

#### 8. DEFERRED CAPITAL CONTRIBUTIONS

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

	2013	2012
	\$	\$
	[000s]	
<b>Balance, beginning of year</b>	<b>247,900</b>	240,348
Less amortization of deferred capital contributions		
Transformation AGO	<b>(5,508)</b>	(5,913)
Weston Family Learning Centre <i>[note 17]</i>	<b>(986)</b>	(443)
Other capital assets	<b>(2,713)</b>	(2,831)
Contributions restricted for capital assets		
Transformation AGO	<b>1,328</b>	9,219
Weston Family Learning Centre <i>[note 17]</i>	<b>690</b>	5,420
Other capital assets	<b>2,270</b>	2,100
<b>Balance, end of year</b>	<b>242,981</b>	247,900

#### 9. GOVERNMENT GRANTS

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

	2013	2012
	\$	\$
	[000s]	
Government of Ontario	<b>25,606</b>	21,796
Government of Canada	<b>441</b>	279
City of Toronto	<b>557</b>	549
	<b>26,604</b>	22,624

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

[b] During the year, the following government grants were received for the acquisition or repair of works of art or capital assets:

	2013	2012
	\$ [000s]	\$
Government of Ontario	2,270	1,700
Government of Canada <i>[note 17]</i>	50	3,289
	<b>2,320</b>	<b>4,989</b>

These grants are recorded as deferred contributions *[note 7]* or deferred capital contributions *[note 8]* and recognized as revenue in the year in which the related expenses are recognized.

#### 10. NET SURPLUS

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

	2013			2012
	Accumulated surplus	Board restricted	Total	Total
	\$	\$	\$ [000s]	\$
Net surplus, beginning of year	2,278	326	2,604	2,551
Excess of revenue over expenses for the year	722	(8)	714	53
<b>Net surplus, end of year</b>	<b>3,000</b>	<b>318</b>	<b>3,318</b>	<b>2,604</b>

#### 11. STATEMENTS OF CASH FLOWS

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

	2013	2012
	\$ [000s]	\$
Grants and accounts receivable	(658)	995
Inventories	17	(97)
Other assets	1,031	(826)
Accounts payable and accrued liabilities <i>[note 11[b]]</i>	1,831	(191)
Deferred contributions	(1,130)	3,384
Deferred revenue	310	494
	<b>1,401</b>	<b>3,759</b>

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

- [b] For the year ended March 31, 2012, the decrease in accounts payable and accrued liabilities of \$2,783,000 relating to the purchase of capital assets has been excluded from the statements of cash flows.

#### 12. PENSION PLAN

- [a] 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.
- [b] The expense for the Gallery's pension plan for the year ended March 31 included in these financial statements is as follows:

	2013		2012
	\$	[000s]	\$
Defined benefit component	1,435		753
Money purchase component	399		392
	<b>1,834</b>		<b>1,145</b>

Other information about the Gallery's pension plan included in these financial statements for the year ended March 31 is as follows:

	2013		2012
	\$	[000s]	\$
Employees' contributions	357		334
Employer's contributions - defined benefit component (retroactive)	—		344
Employer's contributions - defined benefit component (normal)	1,557		1,281
Employer's contributions - money purchase component	399		392
Benefits paid - defined benefit component	873		871

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

The Gallery has recorded \$1,956,000 [2012 - \$1,673,000] as expenses in the calculation of excess of revenue over expenses before pension adjustment. The pension adjustment of \$122,000 [2012 - \$528,000] represents the difference between the normal employer contributions of \$1,956,000 [2012 - \$1,673,000] and the accrual-based expense of \$1,834,000 [2012 - \$1,145,000].

- [c] The assets and liabilities of the Gallery's pension plan are reported separately and not included in these financial statements. The latest actuarial valuation for the pension plan was performed as of January 1, 2011. 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:

	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>April 1, 2011</b>
	\$ [000's]	\$ [000's]	\$ [000's]
Accrued benefit obligation	<b>31,351</b>	28,161	21,226
Fair value of plan assets	<b>24,001</b>	21,127	19,399
Funded status - plan deficit	<b>(7,350)</b>	(7,034)	(1,827)
Unamortized net actuarial losses	<b>10,448</b>	10,010	3,931
<b>Accrued pension asset</b>	<b>3,098</b>	2,976	2,104

- [d] The significant actuarial assumptions adopted in measuring the Gallery's accrued benefit obligation and expense are as follows:

	<b>2013</b>	<b>2012</b>
	%	%
<b>Accrued benefit obligation</b>		
Discount rate	<b>4.00</b>	4.25
Salary increases	<b>3.00</b>	3.00
<b>Expense</b>		
Discount rate	<b>4.25</b>	5.75
Expected long-term rate of return on plan assets	<b>7.00</b>	7.00
Salary increases	<b>3.00</b>	3.25



## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

[e] The pension plan assets are held in investments managed by an external investment manager. As at March 31, the mix of the investments is as follows:

	2013 %	2012 %
Money market	3	1
Canadian bonds	33	35
Canadian equities	33	35
U.S. equities	16	14
Other international equities	15	15
	<b>100</b>	<b>100</b>

#### 13. ALLOCATION OF EXPENSES

General support costs have been allocated to the following functions:

	2013 \$	2012 \$
	[000s]	[000s]
Gallery shop	58	48
Food and beverage	207	202
	<b>265</b>	<b>250</b>

#### 14. COMMITMENTS

Future minimum annual payments under operating leases for premises and equipment, excluding operating costs, are as follows:

	\$ [000s]
2014	20
2015	4
2016	2
	<b>26</b>

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

#### 15. THE ART GALLERY OF ONTARIO FOUNDATION

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

	2013		2012
	\$	[000s]	\$
Unrestricted	1,106		587
Restricted	4,691		4,436
Endowment	30,410		27,231
	<b>36,207</b>		<b>32,254</b>

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

	2013		2012
	\$	[000s]	\$
Operations	509		606
Acquisitions	284		95
	<b>793</b>		<b>701</b>

[c] The Foundation receives consulting services from MT101 Corp., a corporation controlled by Matthew Teitelbaum, 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 related to payments to the Gallery's Director and CEO for these services during the year ended December 31, 2012 totalled \$127,306 [2012 - \$103,937].

[d] As at March 31, 2012 and April 1, 2011, there is \$4,000 and \$32,000, respectively, included in grants and accounts receivable due from the Foundation. The amounts are non-interest bearing and due on demand.

[e] During the year, the Gallery made a grant of \$566,000 [2012 - \$162,000] to the Foundation which is included in administration expenses.

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2013

#### 16. 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, 2013, the Volunteers of the Art Gallery of Ontario donated \$38,000 for the exhibition sponsorship of *Joseph Sudek: The Legacy of a Deeper Vision*, from endowment income of the Volunteer Endowment Trust. These funds were transferred from the Volunteer Funds held within the Foundation and are recorded as Foundation revenue in the statements of operations and changes in net surplus. In fiscal 2012, an amount of \$35,000 was donated for the exhibition sponsorship of *Haute Culture: General Idea*.

#### 17. WESTON FAMILY LEARNING CENTRE

Launched in October 2011, the Weston Family Learning Centre includes approximately 35,000 square feet of renovated and new space. The project is being financed by a \$7,500,000 contribution from the Government of Canada's Infrastructure Stimulus Fund and private contributions. As at March 31, 2013, the Gallery had received \$8,201,500 [March 31, 2012 - \$7,401,500; April 1, 2011 - \$5,000,000] in private contributions and \$7,500,000 [March 31, 2012 - \$7,500,000; April 1, 2011 - \$4,231,000] from Infrastructure Canada, which are recorded in deferred capital contributions [note 8].

As at March 31, 2013, the Gallery has incurred costs totalling \$19,187,000 [March 31, 2012 - \$18,854,000; April 1, 2011 - \$12,435,000] which are recorded on the balance sheets as a capital asset [note 5].

In addition, campaign costs of \$110,000 [2012 - \$251,000] were incurred and recorded as a membership and fundraising expense. An equal amount of donations was recorded as donation revenue.

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2013

### **18. FINANCIAL INSTRUMENTS**

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.

#### **Liquidity risk**

The Gallery is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities.

### **19. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

These financial statements are the first financial statements which the Gallery has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. In preparing its opening balance sheet as at April 1, 2011 [the "Transition Date"], the Gallery has applied CICA Handbook Section 1501, *First-time Adoption for Not-for-Profit Organizations*.

The accounting policies that the Gallery has used in the preparation of its April 1, 2011 opening balance sheet have resulted in an adjustment to the accrued pension asset which was presented in the balance sheet prepared in accordance with Part V of the CICA Handbook - Accounting ["Previous GAAP"]. This adjustment was recorded directly to the Gallery's net surplus at the Transition Date using the transitional provisions set out in Section 1501 and is described below.

CICA 1501 provides a number of elective exemptions related to standards in Part III of the CICA Handbook. The Gallery has not elected to use any of the elective exemptions.

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

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#### Reconciliations

The following table provides a reconciliation of net surplus as at April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012 as presented under Previous GAAP with those computed under GAAP.

	<b>Excess of revenue over expenses for the year ended March 31, 2012</b>	<b>Net surplus as at April 1, 2011</b>
	\$	[000s] \$
<b>Excess of revenue over expenses and net surplus</b>		
– Previous GAAP	156	2,142
Recognition of unamortized transitional asset	(103)	409
<b>Excess of revenue over expenses and net surplus – GAAP</b>	<b>53</b>	<b>2,551</b>

Under Previous GAAP, a \$409,000 net transitional asset related to employee future benefits had not been recognized in the financial statements. CICA 1501 requires this amount to be recognized in opening net surplus at the Transition Date. At the Transition Date, the accrued pension asset increased by \$409,000 and net surplus increased by \$409,000. The Gallery's excess of revenue over expenses for the year ended March 31, 2012 decreased by \$103,000.

