

Financial Statements

**Art Gallery of Ontario**  
March 31, 2012

## **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 generally accepted accounting principles, 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 20, 2012.

## 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 sheet as at March 31, 2012 and the statements of operations and changes in net surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
June 20, 2012.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

## Art Gallery of Ontario

### BALANCE SHEET

[in thousands of dollars]

As at March 31

	2012	2011
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	10,859	12,226
Grants and accounts receivable [note 15[d]]	995	1,990
Inventories	865	768
Other [note 3]	1,742	916
<b>Total current assets</b>	<b>14,933</b>	<b>15,900</b>
Works of art, at nominal value [note 4]	1	1
Capital assets, net [note 5]	253,257	254,681
Accrued pension asset [note 12]	2,670	1,695
	<b>270,389</b>	<b>272,277</b>
<b>LIABILITIES AND NET SURPLUS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	7,832	10,806
Deferred contributions [note 7]	7,247	3,863
Deferred revenue	2,812	2,318
<b>Total current liabilities</b>	<b>17,891</b>	<b>16,987</b>
Long-term debt [note 6[b]]	2,300	12,800
Deferred capital contributions [notes 8, 17 and 18]	247,900	240,348
<b>Total liabilities</b>	<b>268,091</b>	<b>270,135</b>
Commitments [note 14]		
<b>Net surplus [note 10]</b>	<b>2,298</b>	<b>2,142</b>
	<b>270,389</b>	<b>272,277</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

### STATEMENT OF OPERATIONS AND CHANGES IN NET SURPLUS

[in thousands of dollars]

Year ended March 31

	2012	2011
	\$	\$
<b>REVENUE</b>		
Government grants <i>[notes 7 and 9]</i>	22,624	22,793
Admissions	3,064	4,016
Membership fees	3,231	3,161
Donations and bequests <i>[notes 7, 17 and 18]</i>	9,353	9,581
Education, outreach and program	1,143	871
Gallery shop	3,675	2,994
Food and beverage	7,094	6,823
The Art Gallery of Ontario Foundation <i>[notes 15[b] and 16]</i>	701	677
Investment income	243	168
Gifted works of art <i>[note 4]</i>	5,498	13,866
Miscellaneous	1,068	725
Amortization of deferred capital contributions	9,187	8,351
	<b>66,881</b>	<b>74,026</b>
<b>EXPENSES</b>		
Administration <i>[note 15[e]]</i>	5,171	4,882
Physical plant and security	9,137	9,584
Curatorial and exhibitions	12,808	13,542
Education, outreach and programs	4,149	3,517
Membership and fundraising <i>[notes 17 and 18]</i>	4,187	4,336
Marketing and promotion	5,428	4,394
Gallery shop <i>[note 13]</i>	3,601	3,162
Food and beverage <i>[note 13]</i>	7,142	6,945
Accession of art for collection <i>[note 4]</i>		
Gifted	5,498	13,866
Purchased	246	394
Interest	485	500
Amortization of capital assets	9,504	8,667
	<b>67,356</b>	<b>73,789</b>
Excess (deficiency) of revenue over expenses before pension adjustment	<b>(475)</b>	237
Pension adjustment <i>[note 12[b]]</i>	<b>631</b>	410
<b>Excess of revenue over expenses for the year</b>	<b>156</b>	<b>647</b>
Net surplus, beginning of year	2,142	1,495
<b>Net surplus, end of year <i>[note 10]</i></b>	<b>2,298</b>	<b>2,142</b>

See accompanying notes

## Art Gallery of Ontario

### STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2012	2011
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	156	647
Add (deduct) non-cash items		
Amortization of capital assets	9,504	8,667
Amortization of deferred capital contributions	(9,187)	(8,351)
Net change in non-cash working capital balances related to operations <i>[note 11[a]]</i>	3,759	(5,922)
Increase in accrued pension asset	(975)	(410)
<b>Cash provided by (used in) operating activities</b>	<b>3,257</b>	<b>(5,369)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets		
Transformation AGO	(148)	(327)
Other capital assets <i>[note 11[b]]</i>	(10,715)	(10,237)
<b>Cash used in investing activities</b>	<b>(10,863)</b>	<b>(10,564)</b>
<b>FINANCING ACTIVITIES</b>		
Contributions restricted for capital asset purchases	16,739	18,526
Refund of provincial sales tax on Transformation AGO project	—	1,361
Payments on long-term debt	(10,500)	(11,200)
<b>Cash provided by financing activities</b>	<b>6,239</b>	<b>8,687</b>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(1,367)</b>	<b>(7,246)</b>
Cash and cash equivalents, beginning of year	12,226	19,472
<b>Cash and cash equivalents, end of year</b>	<b>10,859</b>	<b>12,226</b>
<b>Supplemental cash flow information</b>		
Interest paid	485	513

*See accompanying notes*

## **Art Gallery of Ontario**

# **NOTES TO FINANCIAL STATEMENTS**

March 31, 2012

## **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 general 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 have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

### **Revenue recognition**

The Gallery follows the deferral method of accounting for contributions, which include donations and government grants. 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. Donations are recorded on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. 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, 2012

#### **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 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.

#### **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

Interest costs related to the funding of Transformation AGO capital project were capitalized during the construction period.

#### **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 there is insufficient evidence that the costs are recoverable.



## **Art Gallery of Ontario**

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2012

#### **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 statement of operations and changes in net surplus.

#### **Financial instruments**

The Gallery has chosen to apply Canadian Institute of Chartered Accountants ["CICA"] 3861, *Financial Instruments - Disclosure and Presentation*, in place of CICA 3862, *Financial Instruments - Disclosures*, and CICA 3863, *Financial Instruments - Presentation*.

#### **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 transitional asset and 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.

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### Use of estimates

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 assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

#### Future changes in accounting policies

The Accounting Standards Board of the CICA has issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012. The Gallery will adopt the new standards in fiscal 2013. The Gallery is currently evaluating the impact of these standards.

### 3. OTHER ASSETS

Other assets consist of the following:

	2012		2011
	\$	[000s]	\$
Future exhibition costs	1,653		617
Prepaid expenses	89		299
	<b>1,742</b>		<b>916</b>

### 4. WORKS OF ART

As at March 31, 2012, the collection consisted of approximately 83,699 [2011 - 83,296] works of art. During fiscal 2012, the Gallery purchased 28 [2011 - 40] works of art at a total cost of \$246,000 [2011 - \$394,000]. Contributions to the collection included 375 [2011 - 572] works of art with an estimated fair value of \$5,498,000 [2011 - \$13,866,000].

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 5. CAPITAL ASSETS

Capital assets consist of the following:

	2012		2011	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
		[000s]		
Land	525	—	525	—
Buildings and building improvements				
Transformation AGO <i>[note 17]</i>	220,711	19,685	220,576	13,773
Weston Family Learning Centre	17,702	442	—	—
Other	86,249	55,720	85,383	53,469
Equipment and furnishings	16,165	13,400	15,503	12,499
Construction in progress -				
Weston Family Learning Centre <i>[note 18]</i>	1,152	—	12,435	—
	342,504	89,247	334,422	79,741
Less accumulated amortization	89,247		79,741	
<b>Net book value</b>	<b>253,257</b>		<b>254,681</b>	

#### 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, 2012 or 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. The facility reduces to \$7,000,000 on April 20, 2012 and \$3,000,000 on April 20, 2013. As at March 31, 2012, there was \$2,300,000 drawn on this facility.

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 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:

	2012		2011
	\$	[000s]	\$
<b>Balance, beginning of year</b>	<b>3,863</b>		3,423
Grants and donations received for restricted purposes	<b>5,095</b>		1,986
Less amounts recognized as revenue during the year	<b>(1,711)</b>		(1,546)
<b>Balance, end of year</b>	<b>7,247</b>		3,863

#### 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 statement of operations and changes in net surplus. The changes in the deferred capital contributions balance are as follows:

	2012		2011
	\$	[000s]	\$
<b>Balance, beginning of year</b>	<b>240,348</b>		230,173
Less amortization of deferred capital contributions			
Transformation AGO <i>[note 17]</i>	<b>(5,913)</b>		(5,528)
Weston Family Learning Centre <i>[note 18]</i>	<b>(443)</b>		
Other capital assets	<b>(2,831)</b>		(2,823)
Contributions restricted for capital assets			
Transformation AGO <i>[note 17]</i>	<b>9,219</b>		9,785
Weston Family Learning Centre <i>[note 18]</i>	<b>5,420</b>		7,231
Other capital assets	<b>2,100</b>		1,510
<b>Balance, end of year</b>	<b>247,900</b>		240,348

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 9. GOVERNMENT GRANTS

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

	2012	2011
	\$	\$
	[000s]	
Government of Ontario	21,796	21,905
Government of Canada	279	346
City of Toronto	549	542
	<b>22,624</b>	<b>22,793</b>

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

	2012	2011
	\$	\$
	[000s]	
Government of Ontario	1,700	1,370
Government of Canada	20	171
	<b>1,720</b>	<b>1,541</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:

	2012			2011
	Accumulated surplus	Board restricted	Total	Total
	\$	\$	\$ [000s]	\$
Net surplus, beginning of year	1,800	342	2,142	1,495
Excess of revenue over expenses for the year	172	(16)	156	647
Net surplus, end of year	<b>1,972</b>	<b>326</b>	<b>2,298</b>	<b>2,142</b>

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 11. STATEMENT OF CASH FLOWS

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

	2012		2011
	\$	[000s]	\$
Grants and accounts receivable	995		(817)
Inventories	(97)		97
Other assets	(826)		(54)
Accounts payable and accrued liabilities <i>[note 11[b]]</i>	(191)		(4,558)
Deferred contributions	3,384		440
Deferred revenue	494		(1,030)
	<b>3,759</b>		<b>(5,922)</b>

[b] The decrease in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2012 of \$2,783,000 [2011 – increase of \$3,002,000] has been excluded from the statement 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:

	2012		2011
	\$	[000s]	\$
Defined benefit component	650		558
Money purchase component	392		404
	<b>1,042</b>		<b>962</b>

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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

	2012		2011
	\$	[000s]	\$
Employees' contributions	334		309
Employer contributions - defined benefit component (retroactive)	344		—
Employer contributions - defined benefit component (normal)	1,281		968
Employer contributions - money purchase component	392		404

The Gallery has recorded \$1,673,000 [2011 - \$1,372,000] as expenses in the calculation of excess of revenue over expenses before the following. The pension adjustment of \$631,000 [2011 - \$410,000] represents the difference between the expenses recorded of \$1,673,000 [2011 - \$1,372,000] and the accrual-based expense of \$1,042,000 [2011 - \$962,000].

- [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:

	2012		2011
	\$	[000s]	\$
Accrued benefit obligation	28,161		21,226
Fair value of plan assets	21,127		19,399
Funded status - plan deficit	(7,034)		(1,827)
Unamortized transitional asset	(307)		(410)
Unamortized net actuarial losses	10,011		3,932
<b>Accrued pension asset</b>	<b>2,670</b>		<b>1,695</b>

Other information about the defined benefit component of the Gallery's pension plan for the year ended March 31 is as follows:

	2012		2011
	\$	[000s]	\$
Benefits paid	871		1,039

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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

	2012	2011
	%	%
<b>Accrued benefit obligation</b>		
Discount rate	4.25	5.75
Salary increases	3.25	3.25
<b>Expense</b>		
Discount rate	5.75	6.00
Expected long-term rate of return on plan assets	7.00	7.00
Salary increases	3.25	3.25

[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:

	2012	2011
	%	%
Money market	1	2
Canadian bonds	35	35
Canadian equities	35	37
U.S. equities	14	12
Other international equities	15	14
	<b>100</b>	<b>100</b>

### 13. ALLOCATION OF EXPENSES

General support costs have been allocated to the following functions:

	2012		2011
	\$	[000s]	\$
Gallery shop	48		47
Food and beverage	202		197
	<b>250</b>		<b>244</b>



## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 14. LEASE COMMITMENTS

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

	\$
	[000s]
2013	62
2014	4
	<u>66</u>

#### 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:

	2011	2010
	\$	\$
	[000s]	
Unrestricted	587	301
Restricted	4,436	4,469
Endowment	27,231	26,411
	<u>32,254</u>	<u>31,181</u>

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

	2012	2011
	\$	\$
	[000s]	
Operations	606	470
Acquisitions	95	207
	<u>701</u>	<u>677</u>

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

- [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 Foundation's net payments to the Gallery's Director and CEO for these services during the year ended December 31, 2011 totaled \$103,937 [2011 - \$87,720].
- [d] Included in grants and accounts receivable are amounts due from the Foundation of \$4,000 [2011 - \$32,000]. The amounts are non-interest bearing and due on demand.
- [e] During the year, the Gallery transferred donations of \$162,000 [2011 - \$250,000] to the Foundation which is included in administration expenses.

#### 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, 2012, the Volunteers of the Art Gallery of Ontario donated \$35,499 for the exhibition sponsorship of *Haute Culture: General Idea*, 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 statement of operations and changes in net surplus. In fiscal 2011, an amount of \$38,101 was donated for the sponsorship of the AGO *After School Access* Program.

#### 17. TRANSFORMATION AGO

The expansion project, known as Transformation AGO, has expanded galleries and other public spaces. The public opening of the Transformation AGO was November 14, 2008. The project has been financed by both public sector and private contributions. As of March 31, 2012, the Gallery has received \$24,000,000 from the Government of Canada and \$39,000,000 from the Government of Ontario.

As at March 31, 2012, the Gallery has incurred costs totaling \$220,711,000 [2011 - \$220,576,000] for the project, which are recorded on the balance sheet as a capital asset [note 5]. As at March 31, 2012, the Gallery has received contributions of \$219,384,000 [2011 - \$210,165,000], which are recorded on the balance sheet as deferred capital contributions [note 8].

## Art Gallery of Ontario

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

The Transformation AGO fundraising campaign was designed to raise funds for the capital construction, endowment funding for operating support and endowment funding for contemporary art acquisitions. In 2012, \$148,266 [2011 - \$472,168] of fundraising costs were recorded as a membership and fundraising expense and an equal amount of donations was recorded as donations revenue.

#### 18. 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, 2012, the Gallery had received \$7,401,500 [2011 - \$5,000,000] in private contributions and \$7,500,000 [2011 - \$4,231,000] from Infrastructure Canada, which are recorded in deferred capital contributions.

As at March 31, 2012, the Gallery has incurred costs totaling \$18,854,000 [2011 - \$12,435,000] which are recorded on the balance sheet as a capital asset *[note 5]*.

In addition, campaign costs of \$251,000 were incurred in the year and recorded as a membership and fundraising expense. An equal amount of donations was recorded as donation revenue.

#### 19. FINANCIAL INSTRUMENTS

The Gallery is subject to credit risk with respect to its accounts receivable and interest rate price risk with respect to its long-term debt.

#### 20. CAPITAL MANAGEMENT

In managing capital, the Gallery focuses on liquid resources available for operations. The Gallery's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The Gallery has available lines of credit that are used when sufficient cash flow is not available from operations to cover operating and capital expenditures *[note 6]*. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2012, the Gallery has met its objective of having sufficient liquid resources to meet its current obligations.

