

Financial Statements

Art Gallery of Ontario

March 31, 2011

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 22, 2011.

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, 2011 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, 2011 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 22, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Art Gallery of Ontario

BALANCE SHEET

[in thousands of dollars]

As at March 31

	2011	2010
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	12,226	19,472
Grants and accounts receivable [note 15[d]]	1,990	1,173
Inventories	768	865
Other [note 3]	916	862
Total current assets	15,900	22,372
Works of art, at nominal value [note 4]	1	1
Capital assets, net [note 5]	254,681	251,143
Accrued pension asset [note 12]	1,695	1,285
	272,277	274,801
LIABILITIES AND NET SURPLUS		
Current		
Accounts payable and accrued liabilities	10,806	12,362
Deferred contributions [note 7]	3,863	3,423
Deferred revenue	2,318	3,348
Total current liabilities	16,987	19,133
Long-term debt [note 6[b]]	12,800	24,000
Deferred capital contributions [notes 8 and 17]	240,348	230,173
Total liabilities	270,135	273,306
Commitments [note 14]		
Net surplus [note 10]	2,142	1,495
	272,277	274,801

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

	2011	2010
	\$	\$
REVENUE <i>[note 19]</i>		
Government grants <i>[notes 7 and 9]</i>	22,793	22,613
Admissions	4,016	8,278
Membership fees	3,161	2,989
Donations and bequests <i>[notes 7 and 17]</i>	9,581	9,112
Education, outreach and program	871	2,352
Gallery shop	2,994	3,414
Food and beverage	6,823	6,710
The Art Gallery of Ontario Foundation <i>[notes 15[b] and 16]</i>	677	705
Investment income	168	83
Gifted works of art <i>[note 4]</i>	13,866	48,485
Miscellaneous	725	1,274
Amortization of deferred capital contributions	8,351	8,593
	74,026	114,608
EXPENSES <i>[note 19]</i>		
Administration	4,882	5,527
Physical plant and security	9,584	9,708
Curatorial and exhibitions	13,542	14,352
Education, outreach and programs	3,517	4,310
Membership and fundraising <i>[note 17]</i>	4,336	4,860
Marketing and promotion	4,394	4,615
Gallery shop <i>[note 13]</i>	3,162	4,757
Food and beverage <i>[note 13]</i>	6,945	7,064
Accession of art for collection <i>[note 4]</i>		
Gifted	13,866	48,485
Purchased	394	481
Interest	500	773
Amortization of capital assets	8,667	8,891
	73,789	113,823
Excess of revenue over expenses before the following	237	785
Pension adjustment <i>[note 12[b]]</i>	410	551
Provincial one-time grant <i>[note 9[c]]</i>	—	8,600
Excess of revenue over expenses for the year	647	9,936
Net surplus (deficit), beginning of year	1,495	(8,441)
Net surplus, end of year <i>[note 10]</i>	2,142	1,495

See accompanying notes

Art Gallery of Ontario

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	647	9,936
Add (deduct) non-cash items		
Amortization of capital assets	8,667	8,891
Amortization of deferred capital contributions	(8,351)	(8,593)
Net change in non-cash working capital balances related to operations [note 11[a]]	(5,922)	6,374
Increase in accrued pension asset	(410)	(551)
Cash provided by (used in) operating activities	(5,369)	16,057
INVESTING ACTIVITIES		
Purchase of capital assets		
Transformation AGO	(327)	(9,150)
Other capital assets [note 11[b]]	(10,237)	(1,868)
Cash used in investing activities	(10,564)	(11,018)
FINANCING ACTIVITIES		
Contributions restricted for capital asset purchases	18,526	13,508
Refund of provincial sales tax on Transformation AGO project	1,361	—
Payments on long-term debt	(11,200)	(24,300)
Cash provided by (used in) financing activities	8,687	(10,792)
Net decrease in cash and cash equivalents during the year	(7,246)	(5,753)
Cash and cash equivalents, beginning of year	19,472	25,225
Cash and cash equivalents, end of year	12,226	19,472
Supplemental cash flow information		
Interest paid	513	816

See accompanying notes

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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, 2011

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, 2011

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, 2011

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

In November 2010, the Accounting Standards Board of the CICA 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, with an option to early-adopt. The Gallery is currently evaluating the impact of these standards.

3. OTHER ASSETS

Other assets consist of the following:

	2011		2010
	\$	[000s]	\$
Future exhibition costs	617		159
Prepaid expenses	299		311
Costs related to special fundraising campaigns <i>[note 17]</i>	—		392
	916		862

4. WORKS OF ART

As at March 31, 2011, the collection consisted of approximately 83,296 [2010 - 82,684] works of art. During fiscal 2011, the Gallery purchased 40 [2010 - 59] works of art at a total cost of \$394,000 [2010 - \$481,000]. Contributions to the collection included 572 [2010 - 425] works of art with an estimated fair value of \$13,866,000 [2010 - \$48,485,000].

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

5. CAPITAL ASSETS

Capital assets consist of the following:

	2011		2010	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	525	—	525	—
Buildings and building improvements				
Transformation AGO <i>[note 17]</i>	220,576	13,773	221,728	8,244
Other	85,383	53,469	84,665	51,222
Equipment and furnishings	15,503	12,499	15,174	11,608
Construction in progress -				
Weston Family Learning Centre <i>[note 18]</i>	12,435	—	125	—
	334,422	79,741	322,217	71,074
Less accumulated amortization	79,741		71,074	
Net book value	254,681		251,143	

During the year ended March 31, 2011, the Gallery received a provincial sales tax refund of \$1,361 that reduced the Transformation AGO capital costs.

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, 2011 or 2010.
- [b] The Gallery has a construction financing term loan with an interest rate at prime maturing on April 20, 2011. As at March 31, 2011, there was a total of \$12,800,000 [2010 - \$24,000,000] outstanding at a rate of 3.0%. 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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:

	2011	2010
	\$	\$
	[000s]	
Balance, beginning of year	3,423	3,620
Grants and donations received for restricted purposes	1,986	2,143
Less amounts recognized as revenue during the year	(1,546)	(2,340)
Balance, end of year	3,863	3,423

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:

	2011	2010
	\$	\$
	[000s]	
Balance, beginning of year	230,173	225,258
Less amortization of deferred capital contributions		
Transformation AGO <i>[note 17]</i>	(5,528)	(5,508)
Other capital assets	(2,823)	(3,085)
Contributions restricted for capital assets		
Transformation AGO <i>[note 17]</i>	9,785	10,671
Weston Family Learning Centre <i>[note 18]</i>	7,231	2,000
Other capital assets	1,510	837
Balance, end of year	240,348	230,173

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

9. GOVERNMENT GRANTS

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

	2011		2010
	\$	[000s]	\$
Government of Ontario	21,905		21,803
Government of Canada	346		277
City of Toronto	542		533
	22,793		22,613

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

	2011		2010
	\$	[000s]	\$
Government of Ontario	1,370		1,385
Government of Canada	171		202
	1,541		1,587

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.

[c] In fiscal 2010, the Gallery received a one-time grant of \$8,600,000 from the Government of Ontario to cover the cumulative deficit reported as at March 31, 2009. This grant was recorded in the statement of operations and changes in net surplus for the year ended March 31, 2010.

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

10. NET SURPLUS

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

	2011		2010	
	Accumulated surplus	Board restricted	Total	Total
	\$	\$	\$ [000s]	\$
Net surplus (deficit), beginning of year	1,153	342	1,495	(8,441)
Excess of revenue over expenses for the year	647	—	647	9,936
Net surplus, end of year	1,800	342	2,142	1,495

11. STATEMENT OF CASH FLOWS

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

	2011	2010
	\$ [000s]	\$
Grants and accounts receivable	(817)	635
Inventories	97	1,069
Other assets	(54)	978
Accounts payable and accrued liabilities	(4,558)	2,611
Deferred contributions	440	(197)
Deferred revenue	(1,030)	1,278
	(5,922)	6,374

[b] The change in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2011 of \$3,002 [2010 - \$6,327] has been excluded from the statement of cash flows.

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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:

	2011		2010
	\$	[000s]	\$
Defined benefit component	558		325
Money purchase component	404		362
	962		687

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

	2011		2010
	\$	[000s]	\$
Employees' contributions	309		277
Employer contributions - defined benefit component	968		876
Employer contributions - money purchase component	404		362

The Gallery has recorded the employer contributions of \$1,372,000 [2010 - \$1,238,000] as expenses in the calculation of excess of revenue over expenses before the following. The pension adjustment of \$410,000 [2010 - \$551,000] represents the difference between the cash contributions of \$1,372,000 [2010 - \$1,238,000] and the accrual-based expense of \$962,000 [2010 - \$687,000].

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

[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, 2008. The next valuation will be completed by September 2011 and will have an effective date 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:

	2011		2010
	\$	[000s]	\$
Accrued benefit obligation	21,226		19,458
Fair value of plan assets	19,399		17,542
Funded status - plan deficit	(1,827)		(1,916)
Unamortized transitional asset	(410)		(513)
Unamortized net actuarial losses	3,932		3,714
Accrued pension asset	1,695		1,285

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

	2011		2010
	\$	[000s]	\$
Benefits paid	1,039		736

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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

	2011 %	2010 %
Accrued benefit obligation		
Discount rate	5.75	6.00
Salary increases	3.25	3.25
Expense		
Discount rate	6.00	8.25
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:

	2011 %	2010 %
Money market	2	1
Canadian bonds	35	37
Canadian equities	37	36
U.S. equities	12	12
Other international equities	14	14
	100	100

13. ALLOCATION OF EXPENSES

General support costs have been allocated to the following functions:

	2011 \$	[000s]	2010 \$
Gallery shop	47		79
Food and beverage	197		196
	244		275

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

14. LEASE COMMITMENTS

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

	\$
	[000s]
2012	62
2013	52
2014	4
	<u>118</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:

	2010		2009
	\$	[000s]	\$
Unrestricted	301		271
Restricted	4,469		5,217
Endowment	26,411		24,534
	31,181		<u>30,022</u>

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

	2011		2010
	\$	[000s]	\$
Operations	470		553
Acquisitions	207		152
	677		<u>705</u>

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

[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, 2010 totaled \$87,720 [2009 - \$87,124].

[d] Included in grants and accounts receivable are amounts due from the Foundation of \$32,000 [2010 - \$10,000]. The amounts are non-interest bearing and due on demand.

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, 2011, the Volunteers of the Art Gallery of Ontario donated \$38,101 for the exhibition sponsorship of the AGO *After School Access* Program, 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 2010, an amount of \$49,999 was donated for the sponsorship of the exhibition *Edward Steichen: In High Fashion, the Condé Nast Years 1923-1937*.

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, 2011, 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, 2011, the Gallery has incurred costs totaling \$220,576,000 [2010 - \$221,728,000] for the project, which are recorded on the balance sheet as a capital asset [note 5]. As at March 31, 2011, the Gallery has received contributions of \$210,165,000 [2010 - \$200,380,000], which are recorded on the balance sheet as deferred capital contributions [note 8]. These amounts do not reflect any depreciation or amortization costs.

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March 31, 2011

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. Fundraising costs related to the fundraising campaign have been covered by a levy applied to campaign donations. As at March 31, 2011, there are capitalized fundraising costs of nil [2010 - \$392,000] recorded as other assets *[note 3]* on the balance sheet. In 2011, \$472,168 [2010 - \$726,000] of fundraising costs were recorded as a membership and fundraising expense and an equal amount of donations was recorded as donations and bequests revenue.

18. WESTON FAMILY LEARNING CENTRE

Launching in the fall of 2011, the Weston Family Learning Centre will include 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, 2011, the Gallery had received \$5,000,000 [2010 - \$2,000,000] in private contributions and \$4,231,000 [2010 - nil] from Infrastructure Canada.

As at March 31, 2011, the Gallery has incurred costs totaling \$12,435,000 [2010 - \$125,000] which are recorded on the balance sheet as a capital asset *[note 5]*.

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NOTES TO FINANCIAL STATEMENTS

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19. THE KING TUT EXHIBITION

During fiscal 2010 and 2011, the Gallery, in partnership with Arts and Exhibition International, LLC ["AEI"] and the National Geographic Society, hosted *King Tut: The Golden King and the Great Pharaohs*. The exhibition was held between November 24, 2009 and May 2, 2010.

The Gallery has included the following revenue and expenses related to the King Tut Exhibition in the statement of operations and changes in net surplus:

	2011	2010	Total
	\$	\$	\$
		[000s]	
Revenues			
Ontario government grants	144	295	439
Admissions	1,797	5,674	7,471
Education, outreach and programs	334	1,035	1,369
Miscellaneous	92	569	661
Donations	—	188	188
Total revenues	2,367	7,761	10,128
Expenses			
Administration	8	59	67
Physical plant and security	122	551	673
Education, outreach and programs	155	695	850
Curatorial and exhibitions	1,690	3,967	5,657
Marketing and promotion	143	1,527	1,670
Total expenses	2,118	6,799	8,917
Excess of revenues over expenses	249	962	1,211

20. 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.

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

21. 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, 2011, the Gallery has met its objective of having sufficient liquid resources to meet its current obligations.

