

Financial Statements

**Art Gallery of Ontario**

March 31, 2007

 ERNST & YOUNG

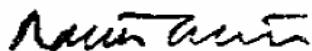
---

## 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 6, 2007.



---

## AUDITORS' REPORT

---

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

We have audited the balance sheet of the **Art Gallery of Ontario** as at March 31, 2007 and the statements of operations and changes in net deficit and cash flows for the year then ended. These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada,  
June 6, 2007.

---

## Art Gallery of Ontario

### BALANCE SHEET [in thousands of dollars]

---

As at March 31

	<b>2007</b> \$	<b>2006</b> \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	10,636	2,891
Grants and accounts receivable [note 14[d]]	1,875	6,257
Inventories	509	472
<b>Total current assets</b>	<b>13,020</b>	9,620
Deferred expenses [notes 12[c] and 16]	2,058	1,466
Works of art, at nominal value [note 3]	1	1
Capital assets, net [note 4]	150,512	97,652
	<b>165,591</b>	108,739
<b>LIABILITIES AND NET DEFICIT</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	15,204	10,862
Deferred contributions [note 6]	2,280	2,238
<b>Total current liabilities</b>	<b>17,484</b>	13,100
Deferred capital contributions [note 7]	152,984	100,518
<b>Total liabilities</b>	<b>170,468</b>	113,618
Commitments [note 16]		
<b>Net deficit</b> [note 10]	<b>(4,877)</b>	(4,879)
	<b>165,591</b>	108,739

*See accompanying notes*

On behalf of the Board:



A. Charles Baillie, Q.C.  
Trustee



Avie Bennett, C.C. O.Ont  
Trustee



---

## Art Gallery of Ontario

### STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT

[in thousands of dollars]

---

Year ended March 31

	<b>2007</b> \$	<b>2006</b> \$
<b>REVENUE</b>		
Government grants [ <i>note 9</i> ]	12,618	16,827
Admissions	1,646	2,106
Membership fees	1,681	1,966
Donations and bequests [ <i>note 16</i> ]	8,824	6,466
Education, outreach and program income	694	912
Gallery shop	1,816	2,196
Dining services	447	980
The Art Gallery of Ontario Foundation [ <i>notes 14[b] and 15</i> ]	729	604
Investment income	99	106
Gifted works of art [ <i>note 3</i> ]	58,591	20,540
Miscellaneous	375	619
	<b>87,520</b>	<b>53,322</b>
<b>EXPENSES</b>		
Administration	3,805	3,663
Physical plant and security	5,525	5,691
Curatorial and exhibitions	7,537	9,210
Education, outreach and programs	3,016	2,640
Membership and fundraising [ <i>note 16</i> ]	3,174	3,358
Marketing and promotion	2,461	3,056
Gallery shop	1,874	2,219
Dining services	1,068	1,584
Accession of art for collection [ <i>note 3</i> ]		
Gifted	58,591	20,540
Purchased	339	1,274
Interest	—	9
	<b>87,390</b>	<b>53,244</b>
Excess of revenue over expenses before the following	130	78
Amortization of deferred capital contributions	2,470	2,758
Amortization of capital assets	(2,598)	(2,830)
<b>Excess of revenue over expenses for the year</b>	<b>2</b>	<b>6</b>
Net deficit, beginning of year	(4,879)	(4,885)
<b>Net deficit, end of year [<i>note 10</i>]</b>	<b>(4,877)</b>	<b>(4,879)</b>

*See accompanying notes*



---

**Art Gallery of Ontario**

**STATEMENT OF CASH FLOWS**  
[in thousands of dollars]

---

Year ended March 31

	<b>2007</b> \$	<b>2006</b> \$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	2	6
Add (deduct) non-cash items		
Amortization of capital assets	2,598	2,830
Amortization of deferred capital contributions	(2,470)	(2,758)
Net change in non-cash working capital balances related to operations [note 11]	8,729	(539)
Net decrease (increase) in deferred expenses	(592)	370
<b>Cash provided by (used in) operating activities</b>	<b>8,267</b>	<b>(91)</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of capital assets	(55,458)	(27,887)
Contributions restricted for capital asset purchases	54,936	30,333
Repayment of long-term debt	—	(875)
Decrease in funds administered for the Volunteers of the Art Gallery of Ontario	—	(250)
<b>Cash provided by (used in) investing and financing activities</b>	<b>(522)</b>	<b>1,321</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>7,745</b>	1,230
Cash and cash equivalents, beginning of year	2,891	1,661
<b>Cash and cash equivalents, end of year</b>	<b>10,636</b>	2,891

*See accompanying notes*



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

#### **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 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 14]*.

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

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. Annual membership fees are included in operating revenue as received. 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, 2007

#### **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

#### **Donated materials and services**

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

#### **Financial instruments**

The carrying values of financial instruments approximate their fair values unless otherwise stated.

---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

#### **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 for long-term debt.

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

#### **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.

#### **3. WORKS OF ART**

As at March 31, 2007, the collection consisted of approximately 68,010 [2006 - 67,500] works of art. During fiscal 2007, the Gallery purchased 33 [2006 - 31] works of art at a total cost of \$339,000 [2006 - \$1,274,000]. Contributions to the collection included 510 [2006 - 26,680] works of art with an estimated fair value of \$58,591,000 [2006 - \$20,540,000].

---

## Art Gallery of Ontario

---

### NOTES TO FINANCIAL STATEMENTS

---

March 31, 2007

#### 4. CAPITAL ASSETS

Capital assets consist of the following:

	2007		2006	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$ [000's]	\$	\$
Land	525		525	—
Buildings and building improvements	82,392	44,522	82,211	42,362
Equipment and furnishings	10,874	8,751	9,528	8,313
Transformation AGO [note 16]	109,994	—	56,063	—
	203,785	53,273	148,327	50,675
Less accumulated amortization	53,273		50,675	
	150,512		97,652	

The increase in net book value of capital assets is due to the following:

	2007	2006
	\$ [000's]	\$
<b>Balance, beginning of year</b>	<b>97,652</b>	77,237
Purchase of capital assets funded by deferred capital contributions		
Transformation AGO	53,930	27,220
Other capital assets	1,319	634
	55,249	27,854
Purchase of capital assets internally funded	209	33
Amortization of capital assets	(2,598)	(2,830)
Net write-off of capital assets	—	(4,642)
<b>Balance, end of year</b>	<b>150,512</b>	97,652

As a result of the expansion project, known as Transformation AGO [note 16], the costs associated with a portion of the original building and building improvements from prior years have been written off since they will be replaced as part of the current renovations. As at March 31, 2007 there are no additional write-offs, however as at March 31, 2006 there were write-offs with a net book value of \$4,642,000 associated with buildings and building improvements, that were written off. This write-off has been offset by an equal write-off of deferred capital contributions [note 7].



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

#### **5. 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 down at year end.
- [b] The Gallery has negotiated construction financing through a new loan agreement effective April 20, 2006 to assist with the financing of the Transformation AGO expansion project. The loan is a revolving loan for up to \$75 million during construction and converts to a term loan after construction. The loan matures on March 31, 2011.

The loan agreement provides for letters of credit for up to \$5 million within the \$75 million limit. As at March 31, 2007, there were outstanding letters of credit of \$1,133,000 [2006 - \$1,766,000] which were originally secured using the operating line of credit and subsequently transferred to the new loan agreement upon its execution. There were no other amounts outstanding as at March 31, 2007 in connection with this loan agreement.

#### **6. 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:

	<b>2007</b> \$ [000's]	<b>2006</b> \$
<b>Balance, beginning of year</b>	<b>2,238</b>	1,619
Grants and donations received for restricted purposes	1,407	2,518
Less amounts recognized as revenue during the year	(1,365)	(1,899)
<b>Balance, end of year</b>	<b>2,280</b>	2,238



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

#### **7. 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. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net deficit. The changes in the deferred capital contributions balance are as follows:

	<b>2007</b> \$ [000's]	<b>2006</b> \$
<b>Balance, beginning of year</b>	<b>100,518</b>	77,585
Less amortization of deferred capital contributions	(2,470)	(2,758)
Contributions restricted for capital assets		
Transformation AGO <i>[note 16]</i>	53,557	28,248
Other capital assets	1,379	2,085
	<b>54,936</b>	30,333
Less write-off of deferred capital contributions <i>[note 4]</i>	—	(4,642)
<b>Balance, end of year</b>	<b>152,984</b>	100,518

Deferred capital contributions consist of the following:

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Contributions used to fund		
Transformation AGO <i>[note 16]</i>	109,994	56,063
Other capital asset purchases	38,339	39,491
	<b>148,333</b>	95,554
Restricted contributions received but not yet spent		
Transformation AGO <i>[note 16]</i>	3,455	3,829
Other restricted contributions	1,196	1,135
	<b>4,651</b>	4,964
<b>Balance, end of year</b>	<b>152,984</b>	100,518



---

## Art Gallery of Ontario

---

### NOTES TO FINANCIAL STATEMENTS

---

March 31, 2007

#### 8. INVESTED IN CAPITAL ASSETS

[a] Invested in capital assets consists of the following:

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Capital assets, net	<b>150,512</b>	97,652
Less amounts financed by		
Deferred capital contributions [ <i>note 7</i> ]	(148,333)	(95,554)
<b>Balance, end of year</b>	<b>2,179</b>	2,098

[b] The net change in invested in capital assets is calculated as follows:

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Repayment of long-term debt	—	875
Less deferred capital contributions used to repay debt		
incurred to purchase capital assets	—	(875)
Purchase of capital assets internally funded [ <i>note 4</i> ]	209	33
<b>Increase in invested in capital assets</b>	<b>209</b>	33
Amortization of capital assets	2,598	2,830
Less amount of amortization expense related to capital assets purchased with restricted contributions	(2,470)	(2,758)
<b>Decrease in invested in capital assets</b>	<b>128</b>	72
	<b>81</b>	(39)



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

#### **9. GOVERNMENT GRANTS**

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

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Government of Ontario	<b>11,609</b>	16,020
Government of Canada	<b>550</b>	369
City of Toronto	<b>459</b>	438
	<b>12,618</b>	16,827

Government of Ontario grant revenue of \$11,609,000 includes a one-time supplementary grant of \$100,000 [2006 - \$16,020,000 includes a one-time grant of \$4,500,000 for operating support during construction].

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

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Government of Ontario	<b>1,250</b>	1,686
Government of Canada	<b>69</b>	30
	<b>1,319</b>	1,716

These grants are recorded as deferred contributions [*note 6*] or deferred capital contributions [*note 7*] and recognized as revenue in the year in which the related expenses are recognized.



---

## Art Gallery of Ontario

---

### NOTES TO FINANCIAL STATEMENTS

---

March 31, 2007

#### 10. NET DEFICIT

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

	2007			2006	
	Accumulated deficit	Invested in capital assets	Board restricted	Total	Total
	\$	\$	\$	\$	\$
[note 8]					
<b>Net deficit, beginning of year</b>	(7,282)	2,098	305	(4,879)	(4,885)
Excess of revenue over expenses for the year	2	—	—	2	6
Net change in invested in capital assets [note 8[b]]	(81)	81	—	—	—
Transfers	(9)	—	9	—	—
<b>Net deficit, end of year</b>	<b>(7,370)</b>	<b>2,179</b>	<b>314</b>	<b>(4,877)</b>	<b>(4,879)</b>

The Board of Trustees approved a transfer of \$9,000 from Board restricted net assets to accumulated deficit [2006 - \$63,000 from accumulated deficit to Board restricted net assets] for educational purposes and for special projects in The Grange.

#### 11. STATEMENT OF CASH FLOWS

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

	2007 \$ [000's]	2006 \$
Grants and accounts receivable	4,382	(4,307)
Inventories	(37)	150
Accounts payable and accrued liabilities	4,342	2,999
Deferred contributions	42	619
	<b>8,729</b>	<b>(539)</b>



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

#### **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:

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Defined benefit component	<b>779</b>	611
Money purchase component	<b>290</b>	271
	<b>1,069</b>	882

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

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Employees' contributions	<b>196</b>	188
Employer contributions - defined benefit component	<b>669</b>	715
Employer contributions - money purchase component	<b>290</b>	271

---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

- [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, 2005. The next required valuation will be January 1, 2008. 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>2007</b> \$ [000's]	<b>2006</b> \$
Accrued benefit obligation	<b>18,092</b>	16,300
Fair value of plan assets	<b>15,955</b>	13,989
Funded status - plan deficit	<b>(2,137)</b>	(2,311)
Unamortized transitional asset	<b>(822)</b>	(924)
Unamortized net actuarial losses	<b>3,168</b>	3,501
<b>Accrued benefit asset included in deferred expenses</b>	<b>209</b>	266

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

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Benefits paid	<b>435</b>	496

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

	<b>2007</b> %	<b>2006</b> %
<b>Accrued benefit obligation</b>		
Discount rate	<b>5.25</b>	5.50
Salary increases	<b>3.75</b>	4.00
<b>Expense</b>		
Discount rate	<b>5.50</b>	6.00
Expected long-term rate of return on plan assets	<b>7.00</b>	7.00
Salary increases	<b>4.00</b>	4.00



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

- [e] Investments managed by the external investment manager, at market value as at March 31, consist of the following:

	<b>2007</b> %	<b>2006</b> %
Money market	5	3
Canadian bonds	36	37
Canadian equities	33	33
U.S. equities	14	13
Other international equities	12	14
	<b>100</b>	100

### **13. LEASE COMMITMENTS**

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

	\$
	[000's]
2008	23
2009	4
	<b>27</b>

### **14. 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:

	<b>2006</b> \$ [000's]	<b>2005</b> \$
Unrestricted	226	523
Restricted	5,311	6,428
Endowment	23,131	20,188
	<b>28,668</b>	27,139



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

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

	<b>2007</b> \$ [000's]	<b>2006</b> \$
Operations	<b>560</b>	360
Acquisitions	<b>169</b>	244
	<b>729</b>	604

- [c] The Foundation receives consulting services from the Michael and Sonja Koerner Director and CEO of the Gallery, who is not an employee of the Foundation. The Foundation's payments to the Gallery's Director and CEO for these services during the year ended December 31, 2006 were \$42,000 [2005 - \$42,000].
- [d] Included in grants and accounts receivable are amounts due from the Foundation of \$55,000 [2006 - \$52,000].

### **15. THE 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 now reflected directly in the Gallery's revenue.

During the year ended March 31, 2007, the Volunteers of the Art Gallery of Ontario donated \$47,666 for sponsorship of the Future Now exhibition from endowment income of the Volunteer Endowment Trust [2006 - \$30,555 for the sponsorship of the Shape of Colour exhibition]. 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 deficit.

### **16. TRANSFORMATION AGO**

The expansion project, known as Transformation AGO, will expand galleries and other public spaces. Expected completion date is in 2008. The project is being financed by both public sector and private contributions. To date, the Gallery has received commitments from the Government of Canada of \$24,000,000 and the Government of Ontario of \$39,000,000, of which substantially all of the funds have been received as at March 31, 2007.



---

## **Art Gallery of Ontario**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

March 31, 2007

As at March 31, 2007, the Gallery has incurred expenses totalling \$109,994,000 [2006 - \$56,063,000] for the project, which are recorded on the balance sheet as a capital asset [*note 4*]. At March 31, 2007, the Gallery has received contributions of \$113,449,000 [2006 - \$59,892,000], which are recorded on the balance sheet as deferred capital contributions. Of this amount, \$109,994,000 has been used to fund capital expenditures to date and \$3,455,000 has been received but not yet spent [*note 7*].

As at March 31, 2007, the Gallery had entered into contracts with a total outstanding value of approximately \$76 million for capital asset additions.

The Transformation AGO fundraising campaign is 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, which are to be covered by a levy applied to campaign donations, are being deferred and expensed based on the amount of the levy on the donations received during the year. As at March 31, 2007, there are deferred fundraising costs of \$1,185,000 [2006 - \$929,000] recorded as deferred expenses on the balance sheet. In 2007, \$689,000 [2006 - \$902,000] of fundraising costs were recorded as an expense and an equal amount of donations was recorded as donations and bequests revenue.

### **17. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 financial statements.



ERNST & YOUNG LLP

[ey.com/ca](http://ey.com/ca)