

The Art Gallery of Ontario Foundation

Financial statements
December 31, 2024



Shape the future
with confidence

Independent auditor's report

To the Members of
The Art Gallery of Ontario Foundation

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **The Art Gallery of Ontario Foundation** [the "Foundation"], which comprise the balance sheet as at December 31, 2024, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 5, 2025

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Art Gallery of Ontario Foundation

Balance sheet

As at December 31

	2024 \$	2023 \$
Assets		
Cash and cash equivalents	5,636,232	6,733,662
Due from Art Gallery of Ontario <i>[note 8]</i>	30,998	19,310
Amounts receivable	4,127,120	132,490
Investments, at market value <i>[note 3]</i>	133,634,579	118,662,910
	143,428,929	125,548,372
Liabilities and fund balances		
Liabilities		
Due to the Art Gallery of Ontario <i>[note 8]</i>	3,600,000	—
Accrued liabilities	146,376	248,528
Total liabilities	3,746,376	248,528
Fund balances		
Unrestricted	5,290,652	3,631,946
Restricted <i>[note 4]</i>	29,928,314	32,267,906
Endowment <i>[note 5]</i>	104,463,587	89,399,992
Total fund balances	139,682,553	125,299,844
	143,428,929	125,548,372

See accompanying notes

On behalf of the Board:



Gale M. Kelly
Chair, Board of Trustees and
Chair, Audit Committee

The Art Gallery of Ontario Foundation

Statement of operations and changes in fund balances

Year ended December 31

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Investment income <i>[note 5]</i>	751,220	370,605	9,778,897	6,818,306	14,495,813	6,487,074	25,025,930	13,675,985
Contributions								
George A. Morrow Memorial Fund <i>[note 7]</i>	30,000	30,000	—	—	—	—	30,000	30,000
Other <i>[note 8[b]]</i>	908,907	65,835	—	100	927,714	1,627,526	1,836,621	1,693,461
	1,690,127	466,440	9,778,897	6,818,406	15,423,527	8,114,600	26,892,551	15,399,446
Expenses								
Investment counselling fees	14,317	11,440	99,290	98,777	359,932	306,570	473,539	416,787
Professional services and other expenses <i>[note 9]</i>	380,894	378,619	—	—	—	—	380,894	378,619
	395,211	390,059	99,290	98,777	359,932	306,570	854,433	795,406
Excess of revenue over expenses before the following	1,294,916	76,381	9,679,607	6,719,629	15,063,595	7,808,030	26,038,118	14,604,040
Distributions to Art Gallery of Ontario	—	—	(11,655,409)	(7,129,115)	—	—	(11,655,409)	(7,129,115)
Excess (deficiency) of revenue over expenses for the year	1,294,916	76,381	(1,975,802)	(409,486)	15,063,595	7,808,030	14,382,709	7,474,925
Fund balances, beginning of year	3,631,946	3,191,775	32,267,906	33,041,182	89,399,992	81,591,962	125,299,844	117,824,919
Interfund transfers <i>[note 6]</i>	363,790	363,790	(363,790)	(363,790)	—	—	—	—
Fund balances, end of year	5,290,652	3,631,946	29,928,314	32,267,906	104,463,587	89,399,992	139,682,553	125,299,844

See accompanying notes

The Art Gallery of Ontario Foundation

Statement of cash flows

Year ended December 31

	2024 \$	2023 \$
Operating activities		
Excess of revenue over expenses for the year	14,382,709	7,474,925
Changes in non-cash working capital balances related to operations		
Due from Art Gallery of Ontario	(11,688)	37,015
Amounts receivable	(3,994,630)	65,531
Due to Art Gallery of Ontario	3,600,000	—
Accrued liabilities	(102,152)	83,025
Unrealized gain on investments	(25,025,930)	(13,675,985)
Cash used in operating activities	(11,151,691)	(6,015,489)
Investing activities		
Net transfers to (from) external investment managers	10,054,261	(6,015,054)
Cash provided by (used in) investing activities	10,054,261	(6,015,054)
Net decrease in cash during the year	(1,097,430)	(12,030,543)
Cash and cash equivalents, beginning of year	6,733,662	18,764,205
Cash and cash equivalents, end of year	5,636,232	6,733,662

See accompanying notes

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2024

1. Purpose of the organization

The Art Gallery of Ontario Foundation [the "Foundation"] is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the benefit of the Art Gallery of Ontario [the "Gallery"].

The Foundation is registered as a public foundation under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments with original maturities of less than 90 days from the date of purchase.

Fund accounting

For financial reporting purposes, the accounts of the Foundation have been classified into the following funds:

The Unrestricted Fund is held for the Foundation's general fundraising, granting and administrative activities. The Unrestricted Fund has unrestricted resources available for immediate and custodial purposes and reports the distribution of these resources. All expenses, except for a portion of investment counselling fees, are recorded in the Unrestricted Fund.

The Restricted Fund is made up of resources that are to be used for specific purposes, as designated by the donor or the Board of Trustees [the "Board"]. The use of the resources in the Restricted Fund for specified purposes is recorded as distributions.

The Endowment Fund is made up of resources that are required to be maintained by the Foundation, as designated by either the donor or the Board, on a permanent basis. Revenue of the Endowment Fund is limited to amounts that have been externally restricted for endowment purposes.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the Unrestricted Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recorded in the Restricted Fund when initially recognized in the accounts. Externally restricted endowment contributions are recorded in the Endowment Fund when initially recognized in the accounts.

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Investment income (loss) consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the Endowment Fund is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and Unrestricted Fund resources is recognized as revenue of the Unrestricted Fund. Investment losses are allocated in a manner consistent with investment income.

Distributions to the Gallery

Distributions to the Gallery are recorded when approved for disbursement.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including cash and cash equivalents, amounts due to/from the Gallery, amounts receivable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Unless otherwise noted, the Foundation is not exposed to significant risks arising from financial instruments.

Donated materials and services

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

3. Investments

Investments, at market value, consist of the following:

	2024 \$	2023 \$
Canadian bonds	6,346,189	6,501,076
Global bonds	13,730,621	14,622,270
Canadian equities	30,766,460	26,355,266
US equities	50,065,866	37,758,458
International equities	18,705,361	17,005,062
Alternative investments	14,020,082	16,420,778
	133,634,579	118,662,910

The amounts invested in traditional pooled funds have been allocated among the asset classes based on the asset classes held by the pooled fund.

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2024

4. Restricted Fund

The Restricted Fund consists of contributions externally restricted for the purchase of artwork, capital projects or other purposes specified by the donor.

5. Endowment Fund

The Endowment Fund consists of the following:

	2024 \$	2023 \$
Externally endowed	104,463,587	89,399,992

The Foundation has a policy with respect to the handling of income earned on endowments and the determination of amounts made available for distribution with the objective of protecting the purchasing power of the capital by requiring the reinvestment of investment income beyond that made available for annual disbursement. Unless otherwise stipulated in an agreement, the annual amount made available for distribution is based on the anticipated long-term real rate of return from investments of 4% and is recorded as Restricted Fund revenue. When investment income is not sufficient to cover the amount made available, an amount is transferred from the Endowment Fund to cover the shortfall.

The distribution amount for certain endowment funds will not exceed their proportionate share of the value of realized interest and dividend income.

In 2024, there was investment income related to the Endowment Fund of \$18,868,687. The amount available for spending on externally endowed funds of \$4,372,874 was recorded as Restricted Fund revenue. The balance of \$14,495,813 related to externally endowed funds was recorded as Endowment Fund revenue.

In 2023, there was investment income related to the Endowment Fund of \$10,040,725. The amount available for spending on externally endowed funds of \$3,553,651 was recorded as Restricted Fund revenue. The balance of \$6,487,074 related to externally endowed funds was recorded as Endowment Fund revenue.

6. Interfund transfers

Interfund transfers consist of the following:

	2024		
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$
Donor directed	363,790	(363,790)	—
	2023		
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$
Donor directed	363,790	(363,790)	—

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2024

7. George A. Morrow Memorial Fund

In 1965, members of his family created the George A. Morrow Memorial Fund [the "Fund"] in favour of the Foundation. The income of the Fund is distributed to the Foundation, but the Fund's assets, which are held in trust, are not included in the Foundation's balance sheet. The market value of the Fund's assets held in trust as at December 31, 2024 is \$844,936 [2023 – \$787,056].

8. Related party transactions

[a] The amount due from the Gallery is non-interest bearing and due on demand.

[b] No contributions were received from the Gallery in 2024 or 2023.

[c] The amount due to the Gallery as at December 31, 2024 related to an approved distribution from the Gallery Contingency Fund.

9. Consulting services from the Gallery's director

The Foundation receives consulting services from Stephan Jost, the Michael and Sonja Koerner Director and CEO of the Gallery, who is not an employee of the Foundation. The expense recorded in the accounts for the year ended December 31, 2024 related to these services was \$363,790 [2023 – \$363,790].

10. Financial instruments and risk management

Currency risk

The Foundation is exposed to foreign currency risk with respect to the underlying investments of pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment managers with the set investment policies of the Foundation.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to the underlying investments in fixed income investments in pooled funds, because the fair value will fluctuate due to changes in market interest rates. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment managers with the set investment policies of the Foundation.

Market risk

The Foundation is exposed to other price risk through changes in market prices in connection with its investments. The Foundation mitigates this through its investment policies and by monitoring the asset mix of the portfolio.