

Art Gallery of Ontario

Financial statements

March 31, 2023



Managerial responsibilities

The Board of Trustees, which is responsible for, among other things, the financial statements of the **Art Gallery of Ontario** [the "Gallery"], delegates to management the responsibility of the financial statements. Responsibility for their review is that of the Finance Committee. Each year, the Trustees of the Gallery appoint independent auditors to audit and report directly to them on the financial statements. The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, which were consistently applied. Management maintains a system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Management believes its system provides the appropriate balance in this respect.

The Gallery's Finance Committee, which carries out the function of an Audit Committee, is appointed by the Board of Trustees annually. The Finance Committee is comprised of members of the Board and two ex-officio non-voting members of management. The Finance Committee meets with management and with the independent auditors [who have free access to the Finance Committee] to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditor's 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.

A handwritten signature in black ink, appearing to read 'Stephan Jost', with a stylized flourish at the end.

Stephan Jost
Michael and Sonja Koerner Director and CEO
June 14, 2023

Independent auditor's report

To the Members of the
Art Gallery of Ontario

We have audited the financial statements of the **Art Gallery of Ontario** [the "Gallery"], which comprise the balance sheet as at March 31, 2023, and the statement of operations and changes in net surplus (deficit) 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 accompanying financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 2023, 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 Gallery 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 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 Gallery'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 Gallery or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Gallery'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 Gallery'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 Gallery'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 Gallery 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.

Toronto, Canada
June 14, 2023

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Art Gallery of Ontario

Balance sheet

[in thousands of dollars]

As at March 31

	2023	2022
	\$	\$
Assets		
Current		
Cash	13,307	12,121
Short-term investment	7,000	7,000
Grants and accounts receivable <i>[note 9[c]]</i>	1,494	4,938
Inventories	829	680
Other assets <i>[note 3]</i>	1,482	2,960
Total current assets	24,112	27,699
Works of art, at nominal value <i>[note 4]</i>	1	1
Capital assets, net <i>[note 5]</i>	199,842	206,650
Accrued pension asset <i>[note 12]</i>	268	1,081
Total assets	224,223	235,431
Liabilities and net surplus (deficit)		
Current		
Accounts payable and accrued liabilities <i>[note 14[d]]</i>	9,945	12,086
Deferred contributions <i>[note 7]</i>	27,526	20,235
Deferred revenue	4,633	3,937
Current portion of long-term debt <i>[notes 6[b] and 6[c]]</i>	444	552
Total current liabilities	42,548	36,810
Long-term debt <i>[notes 6[b] and 6[c]]</i>	3,694	6,611
Deferred capital contributions <i>[note 8]</i>	181,848	191,326
Total liabilities	228,090	234,747
Commitments <i>[note 16]</i>		
Net surplus (deficit) <i>[note 10]</i>	(3,867)	684
	224,223	235,431

See accompanying notes

On behalf of the Board of the Trustees:



Rupert Duchesne
President
Trustee



Beth Horowitz
Chair, Finance Committee
Trustee

Art Gallery of Ontario

Statement of operations and changes in net surplus (deficit)

[in thousands of dollars]

Year ended March 31

	2023	2022
	\$	\$
Revenue		
Government grants <i>[note 9]</i>	24,963	32,748
Admissions	2,188	1,910
Membership fees	3,876	3,576
Donations and bequests <i>[notes 7 and 16]</i>	14,112	10,523
Programming and outreach	875	181
Gallery shop	3,636	2,577
Food and beverage	9,101	1,571
The Art Gallery of Ontario Foundation <i>[note 14[b]]</i>	2,831	2,336
Investment income	501	55
Gifted works of art <i>[note 4]</i>	21,128	9,416
Miscellaneous	1,887	1,374
Amortization of deferred capital contributions <i>[note 8]</i>	10,060	10,014
	95,158	76,281
Expenses		
Administration <i>[notes 13 and 14[d]]</i>	8,790	11,040
Physical plant and security	10,551	8,910
Curatorial, collections and exhibitions	14,778	15,190
Programming and outreach	3,970	3,262
Membership and fundraising <i>[note 16]</i>	5,139	4,622
Visitor welcome, marketing and promotion	5,518	5,187
Gallery shop <i>[note 13]</i>	3,509	2,653
Food and beverage <i>[note 13]</i>	9,089	3,650
Accession of art for collection <i>[note 4]</i>		
Gifted	21,128	9,416
Purchased	5,196	1,527
Amortization of capital assets	10,552	10,544
Interest <i>[notes 6[b] and 6[c]]</i>	261	225
	98,481	76,226
Excess (deficiency) of revenue over expenses for the year	(3,323)	55
Net surplus, beginning of year	684	3,113
Remeasurements related to pension plan	(1,228)	(2,484)
Net surplus (deficit), end of year <i>[note 10]</i>	(3,867)	684

See accompanying notes

Art Gallery of Ontario

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2023	2022
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(3,323)	55
Add (deduct) items not affecting cash		
Amortization of capital assets	10,552	10,544
Amortization of deferred capital contributions	(10,060)	(10,014)
Pension expense	2,363	2,090
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	10,716	(553)
Employer contributions to pension plan	(2,778)	(1,926)
Cash provided by operating activities	7,470	196
Investing activities		
Purchase of short-term investment	—	(7,000)
Purchase of capital assets <i>[note 11]</i>	(3,841)	(1,604)
Cash used in investing activities	(3,841)	(8,604)
Financing activities		
Repayment of long-term debt	(3,025)	(552)
Contributions restricted for capital asset purchases <i>[note 8]</i>	582	918
Cash provided by (used in) financing activities	(2,443)	366
Net increase (decrease) in cash during the year	1,186	(8,042)
Cash, beginning of year	12,121	20,163
Cash, end of year	13,307	12,121

See accompanying notes

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

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, Culture and Sport 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 an independent corporation, incorporated under the laws of Ontario without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom 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 Gallery is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *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.

Revenue recognition

The Gallery follows the deferral method of accounting for contributions, which include donations, bequests and government grants. Grants and bequests are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Membership fees are deferred and recognized as revenue over the term covered by the fees. Revenue from the sale of goods and services is recorded when the goods are delivered and the services are rendered. Lease revenue is recognized as rents become due and is recorded as miscellaneous revenue in the statement of operations and changes in net surplus (deficit).

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.

When works of art are deaccessioned and then sold, proceeds from the sale of the deaccessioned works of art must be restricted to acquire new works of art or for direct care of the art. Proceeds from the sale of deaccessioned works of art are included in deferred contributions and recognized as revenue when the expense related to the acquisition of the new works of art or expense for direct care is recorded.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are capitalized at fair market value at the date of contribution. When significant parts of capital assets have different useful lives, they are accounted for as separate components. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Gallery's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations and changes in net surplus (deficit). An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Other assets

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars 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 (deficit).

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 maintains a defined benefit pension plan and accounts for this plan using the immediate recognition approach. Under this approach, the Gallery recognizes the amount of the accrued obligation net of the fair value of plan assets in the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net surplus. The accrued pension asset (liability) is determined using a roll-forward technique to estimate the accrued pension asset (liability) using funding assumptions from the most recent actuarial valuation report prepared at least every three years. Pension plan assets are measured at fair value at the date of the balance sheet.

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

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support costs are not allocated except for amounts allocated to gallery shop and food and beverage related to facility operating costs.

Financial instruments

The Gallery initially measures its financial assets and liabilities at fair value. The Gallery subsequently measures all its financial assets and liabilities at amortized cost, net of any provisions for impairment.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, short-term investment, grants and accounts receivable and accounts payable and accrued liabilities.

3. Other assets

Other assets consist of the following:

	2023	2022
	\$	\$
Future exhibition costs	1,332	2,790
Prepaid expenses	150	170
	<u>1,482</u>	<u>2,960</u>

4. Works of art

As at March 31, 2023, the Gallery's collection of approximately 114,138 [2022 – 107,011] artworks contained paintings, sculptures, works on paper, photographs, contemporary installations and time-based media artworks from Indigenous, Canadian and International artists. During fiscal 2023, the Gallery purchased 91 [2022 – 105] works of art at a total cost of \$5,196,000 [2022 – \$1,527,000]. Contributions to the collection included 7,036 [2022 – 341] works of art with an estimated fair value of \$21,128,000 [2022 – \$9,416,000]. During the year, 12 [2022 – 30] deaccessioned works of art were sold, realizing proceeds of \$49,000 [2022 – \$124,000] [note 7].

Included in the Gallery purchased works of art is \$475,000 [2022 – \$307,000] works of art purchased using proceeds from the sale of deaccessioned works from prior years. As at March 31, 2023, the Gallery has \$1,889,000 [2022 – \$2,315,000] of unspent proceeds that is included in deferred contributions [note 7].

There were no write-downs of collections in 2023 or 2022.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

5. Capital assets

Capital assets consist of the following:

	2023	
	Cost	Accumulated amortization
	\$	\$
Land	11,425	—
Buildings and building improvements		
Transformation AGO	220,989	80,481
Weston Family Learning Centre	19,331	11,388
Other [note 6[b]]	113,652	80,170
Equipment and furnishings	31,859	25,375
	<u>397,256</u>	<u>197,414</u>
Less accumulated amortization	197,414	
Net book value	<u>199,842</u>	
	2022	
	Cost	Accumulated amortization
	\$	\$
Land	11,425	—
Buildings and building improvements		
Transformation AGO	220,989	74,949
Weston Family Learning Centre	19,331	10,391
Other [note 6[b]]	110,696	77,667
Equipment and furnishings	31,071	23,855
	<u>393,512</u>	<u>186,862</u>
Less accumulated amortization	186,862	
Net book value	<u>206,650</u>	

Included in other buildings and building improvements is \$3,387,565 [2022 – \$842,573] related to construction in progress, which will be amortized once the capital assets are put in service [note 16].

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

6. Credit facility and long-term debt

- [a] The Gallery has a \$4,500,000 revolving demand line of credit for operating purposes bearing interest at the bank's prime lending rate. As at March 31, 2023 and 2022, no amount was drawn on this line of credit.
- [b] On September 30, 2019, the Gallery entered into a secured fixed rate term agreement with a 15-year amortization period for an amount of \$2,852,000. This loan bears interest at a fixed rate of 2.94% per annum for the first three years and can be renegotiated at the end of the three-year period and is secured by a property. The loan is repayable in monthly instalments comprising principal and interest of \$15,732. As at March 31, 2023, nil [2022 – \$2,583,000] is outstanding, of which nil [2022 – \$108,000] is the current portion and nil [2022 – \$2,475,000] is long term. The interest on the loan for the year ended March 31, 2023 was \$38,000 [2022 – \$77,000] and is included in interest expense in the statement of operations and changes in net surplus (deficit). On October 4, 2022, the Gallery repaid this loan in full.
- [c] On July 27, 2017, the Gallery entered into an unsecured loan agreement with a 15-year amortization period for an amount of \$6,650,000. This loan bears interest at a fixed rate of 3.060% per annum for the first five years and can be renegotiated at the end of the five-year period. On July 21, 2022, the Gallery renegotiated the terms of this loan. Effective August 31, 2022 this loan bears interest at a variable rate of prime plus 0.25% per annum for ten years. The loan is repayable in principal monthly instalments of \$37,000 plus interest. As at March 31, 2023, \$4,138,000 [2022 – \$4,580,000] is outstanding, of which \$444,000 [2022 – \$444,000] is the current portion and \$3,694,000 [2022 – \$4,136,000] is long term. The interest on the loan for the year ended March 31, 2023 was \$223,000 [2022 – \$148,000] and is included in interest expense in the statement of operations and changes in net surplus (deficit).

7. Deferred contributions

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

	2023	2022
	\$	\$
Balance, beginning of year	20,235	16,390
Grants and donations received for restricted purposes [notes 9[b], 15 and 16]	18,532	9,501
Proceeds from sale of deaccessioned works of art [note 4]	49	124
Amounts transferred to deferred capital contributions [note 8]	(582)	(918)
Amounts recognized as revenue during the year [note 4]	(10,708)	(4,862)
Balance, end of year	27,526	20,235

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received and spent for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net surplus (deficit). The changes in the deferred capital contributions balance are as follows:

	2023 \$	2022 \$
Balance, beginning of year	191,326	200,422
Amortization of deferred capital contributions	(10,060)	(10,014)
Contributions transferred from deferred contributions [note 7]	582	918
Balance, end of year	181,848	191,326

9. Government grants

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

	2023 \$	2022 \$
Government of Ontario	21,197	21,343
Government of Canada	3,056	10,733
City of Toronto	710	672
	24,963	32,748

[b] During the year, the Gallery received an additional \$1,025,000 [2022 – \$815,000] in government grants from the Government of Ontario for the acquisition of capital assets. These grants are recorded as deferred contributions [note 7] when first received and then transferred to deferred capital contributions [note 8] as they are spent.

[c] During 2023, the Gallery received funding through the Tourism and Hospitality Recovery Program of \$978,000. In 2022, an amount of \$10,015,000 was received related to the Canada Emergency Wage Subsidy program. Both are recorded in government grants in the statement of operations and changes in net surplus (deficit). As at March 31, 2023, nil [2022 – \$4,325,000] is included in accounts receivable.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

10. Net surplus (deficit)

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

	2023		2022	
	Accumulated surplus (deficit)	Board restricted	Total	Total
	\$	\$	\$	\$
Net surplus, beginning of year	455	229	684	3,113
Excess (deficiency) of revenue over expenses for the year	(3,323)	—	(3,323)	55
Transfers	29	(29)	—	—
Remeasurements related to pension plan	(1,228)	—	(1,228)	(2,484)
Net surplus (deficit), end of year	(4,067)	200	(3,867)	684

11. Statement of cash flows

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

	2023	2022
	\$	\$
Grants and accounts receivable	3,444	(2,206)
Inventories	(149)	89
Other assets	1,478	(1,517)
Accounts payable and accrued liabilities	(2,044)	(360)
Deferred contributions	7,291	3,845
Deferred revenue	696	(404)
	10,716	(553)

As at March 31, 2023, \$35,503 [2022 – \$133,150] is included in accounts payable and accrued liabilities related to capital asset acquisitions.

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

12. Pension plan

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.

The latest actuarial valuation for the pension plan was performed as of September 1, 2021. 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:

	2023	2022
	\$	\$
Fair value of plan assets	55,081	53,253
Accrued benefit obligation	54,813	52,172
Accrued pension asset	268	1,081

13. Allocation of expenses

General support costs have been allocated to the following functions:

	2023	2022
	\$	\$
Gallery shop	66	54
Food and beverage	191	103
	257	157

14. The Art Gallery of Ontario Foundation

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

	2022	2021
	\$	\$
Unrestricted	3,192	3,383
Restricted	33,041	28,931
Endowment	81,592	92,470
	117,825	124,784

Art Gallery of Ontario

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

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

	2023	2022
	\$	\$
Operations <i>[note 15]</i>	2,373	1,990
Acquisitions	458	346
	2,831	2,336

[c] 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 expenses recorded in the Foundation accounts for the year ended December 31, 2022 related to these services were \$259,850 [2021 – \$207,880].

[d] During the year, the Gallery made a grant of nil [2022 – \$3,200,000] to the Foundation, which is included in administration expenses. As at March 31, 2022, nil [2022 – \$3,200,000] is included in accounts payable and accrued liabilities.

15. 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, 2023, the Volunteers of the Art Gallery of Ontario donated \$62,118 [2022 – \$58,898] to support virtual school programs [2022 – support the AGO Access Initiative], from endowment income of the Volunteer Endowment Trust. These funds were transferred from the Volunteer Funds held within the Foundation *[note 14]* and are recorded as deferred contributions on the balance sheet.

16. Gallery expansion

The Gallery has initiated an expansion project known as the Dani Reiss Modern and Contemporary Gallery, which will add gallery space to the existing complex. Expected completion date is in 2026.

As at March 31, 2023, the Gallery has incurred expenses totalling \$2,803,049 for the project, which are recorded on the balance sheet as a capital asset *[note 5]*. As at March 31, 2023, the Gallery has received contributions of \$10,800,000 which are recorded on the balance sheet as deferred contributions *[note 7]*.

Fundraising costs related to the Dani Reiss Modern and Contemporary Gallery are to be covered by donations. In 2023, \$418,535 of fundraising costs were recorded as an expense and an equal amount of donations was recorded as donations and bequests revenue.

Notes to financial statements

[tabular amounts expressed in thousands]

March 31, 2023

17. Financial instruments and risk management

The Gallery is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Gallery is exposed to credit risk in connection with its grants and accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Gallery assesses the credit rating of the other party. It is management's opinion that the risk related to these receivables is minimal.

Currency risk

The Gallery is exposed to currency risk with respect to its accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies, as 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 Gallery manages this risk by maintaining cash balances in the foreign currency from the settlement of its accounts receivable to settle amounts in accounts payable as they become due.

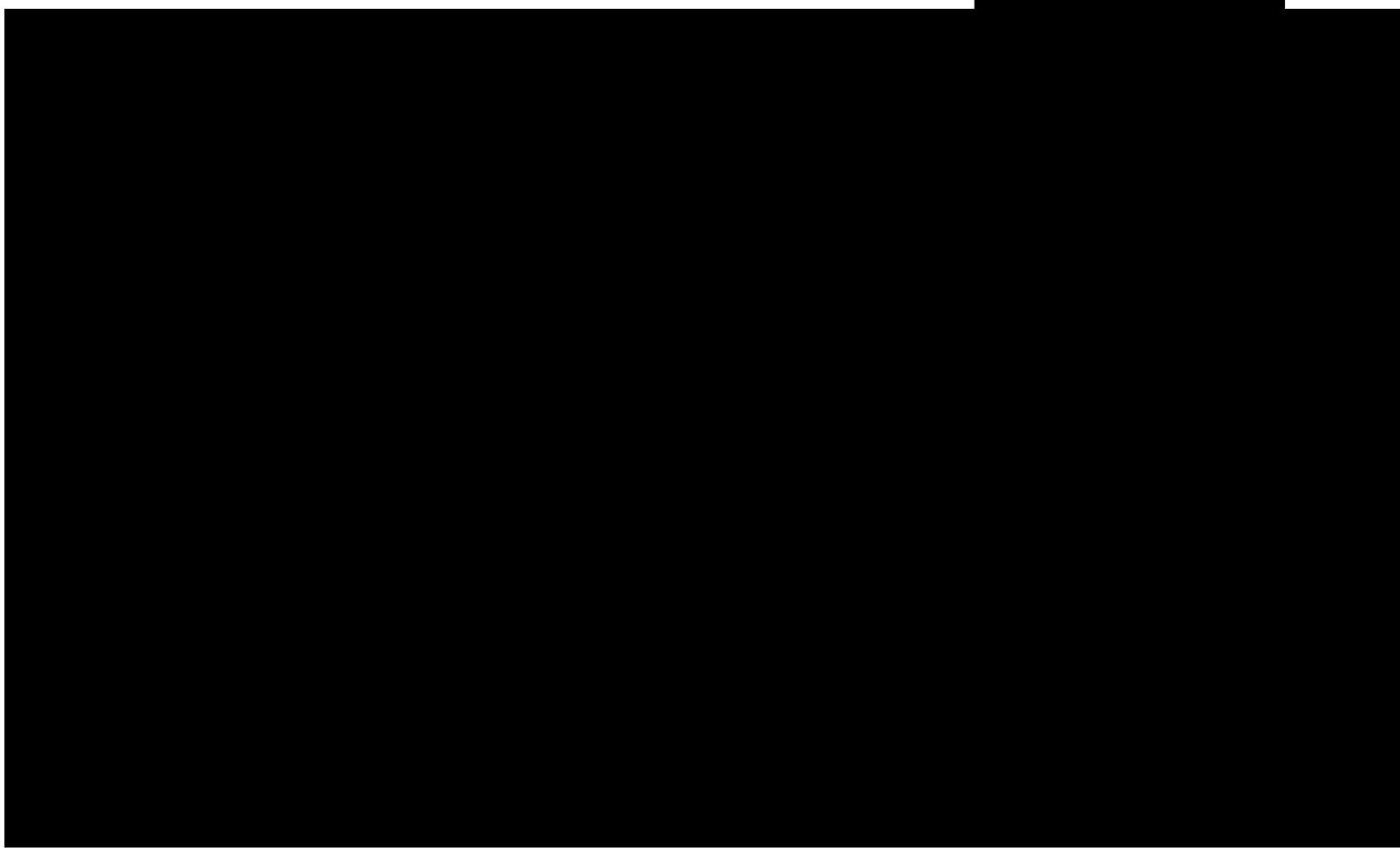
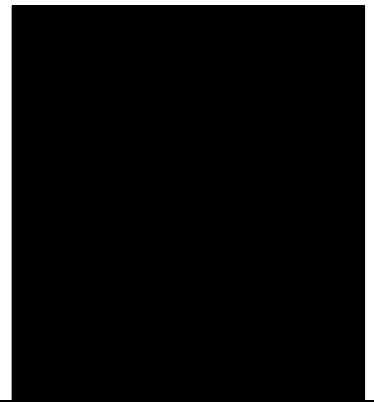
Liquidity risk

The Gallery is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Gallery mitigates this risk by monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise.

The Art Gallery of Ontario Foundation

Financial statements
December 31, 2022

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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, 2022, 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, 2022, 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

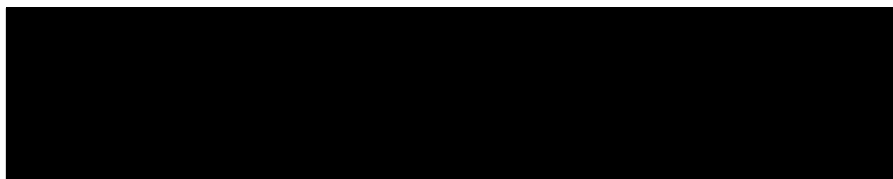
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial 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
[Redacted]

[Redacted]
Chartered Professional Accountants
Licensed Public Accountants

[Redacted]

The Art Gallery of Ontario Foundation

Balance sheet

As at December 31

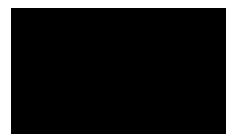
	2022	2021
	\$	\$
Assets		
Cash and cash equivalents	18,764,205	13,290,534
Due from Art Gallery of Ontario [note 8]	56,325	306,112
Amounts receivable	198,021	79,956
Investments, at market value [note 3]	98,971,871	111,275,211
	<u>117,990,422</u>	<u>124,951,813</u>
Liabilities and fund balances		
Liabilities		
Accrued liabilities	165,503	167,863
Total liabilities	<u>165,503</u>	<u>167,863</u>
Fund balances		
Unrestricted	3,191,775	3,382,897
Restricted [note 4]	33,041,182	28,930,649
Endowment [note 5]	81,591,962	92,470,404
Total fund balances	<u>117,824,919</u>	<u>124,783,950</u>
	<u>117,990,422</u>	<u>124,951,813</u>

See accompanying notes

On behalf of the Board:



Darcy Morris
Chair, Board of Trustees



John P. Curtin
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	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Investment income (loss) [note 5]	(315,130)	396,714	(2,447,925)	5,959,137	(8,902,702)	8,217,176	(11,665,757)	14,573,027
Contributions								
██████████ Memorial Fund								
[note 7]	30,000	30,000	—	—	—	—	30,000	30,000
Other [note 8[b]]	121,059	24,871	6,714,040	5,662,752	1,658,682	277,583	8,493,781	5,965,206
	(164,071)	451,585	4,266,115	11,621,889	(7,244,020)	8,494,759	(3,141,976)	20,568,233
Expenses								
Investment counselling fees	12,726	15,062	108,914	104,118	338,974	448,047	460,614	567,227
Professional services and other expenses [note 9]	274,175	222,413	—	—	—	—	274,175	222,413
	286,901	237,475	108,914	104,118	338,974	448,047	734,789	789,640
Excess (deficiency) of revenue over expenses before the following								
Distributions to Art Gallery of Ontario	(450,972)	214,110	4,157,201	11,517,771	(7,582,994)	8,046,712	(3,876,765)	19,778,593
	—	—	(3,082,266)	(2,727,796)	—	—	(3,082,266)	(2,727,796)
Excess (deficiency) of revenue over expenses for the year	(450,972)	214,110	1,074,935	8,789,975	(7,582,994)	8,046,712	(6,959,031)	17,050,797
Fund balances, beginning of year	3,382,897	2,960,907	28,930,649	20,348,554	92,470,404	84,423,692	124,783,950	107,733,153
Interfund transfers [note 6]	259,850	207,880	3,035,598	(207,880)	(3,295,448)	—	—	—
Fund balances, end of year	3,191,775	3,382,897	33,041,182	28,930,649	81,591,962	92,470,404	117,824,919	124,783,950

See accompanying notes

The Art Gallery of Ontario Foundation

Statement of cash flows

Year ended December 31

	2022	2021
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(6,959,031)	17,050,797
Changes in non-cash working capital balances related to operations		
Due from Art Gallery of Ontario	249,787	135,319
Amounts receivable	(118,065)	(23,038)
Accrued liabilities	(2,360)	3,933
Unrealized loss (gain) on investments	11,665,757	(14,573,027)
Cash provided by operating activities	<u>4,836,088</u>	<u>2,593,984</u>
Investing activities		
Net transfers from external investment managers	637,583	579,587
Cash provided by investing activities	<u>637,583</u>	<u>579,587</u>
Net increase in cash during the year	5,473,671	3,173,571
Cash and cash equivalents, beginning of year	<u>13,290,534</u>	<u>10,116,963</u>
Cash and cash equivalents, end of year	<u>18,764,205</u>	<u>13,290,534</u>

See accompanying notes

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2022

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.

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2022

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 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:

	2022	2021
	\$	\$
Canadian bonds	6,092,997	6,898,839
Global bonds	14,010,000	15,585,000
Canadian equities	25,024,001	26,356,560
US equities	32,089,208	34,696,657
International equities	17,750,384	21,134,303
Alternative investments	4,005,281	6,603,852
	<u>98,971,871</u>	<u>111,275,211</u>

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, 2022

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:

	2022 \$	2021 \$
Externally endowed	<u>81,591,962</u>	<u>92,470,404</u>

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 2022, there was an investment loss related to the Endowment Fund of \$8,902,702. The amount available for spending on externally endowed funds was \$3,295,448. Since there was no investment income to cover the amount available for spending, the entire amount is recorded as a transfer from the Endowment Fund to the Restricted Fund [note 6].

In 2021, there was investment income related to the Endowment Fund of \$11,436,861. The amount available for spending on externally endowed funds of \$3,219,685 was recorded as Restricted Fund revenue. The balance of \$8,217,176 related to externally endowed funds was recorded as Endowment Fund revenue.

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2022

6. Interfund transfers

Interfund transfers consist of the following:

	2022		
	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Amount made available for spending in excess of investment income earned [note 5]	—	3,295,448	(3,295,448)
Donor directed	259,850	(259,850)	—
	259,850	3,035,598	3,295,448
	2021		
	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Donor directed	207,880	(207,880)	—

7. [REDACTED] Memorial Fund

In 1965, members of his family created the [REDACTED] 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, 2022 is \$769,823 [2021 – \$875,886].

8. Related party transactions

- [a] The amount due from the Gallery is non-interest bearing and due on demand.
- [b] Other contributions include gifts from the Gallery of \$3,200,000 [2021 – \$5,363,401], which were recorded in the Restricted Fund.

9. Consulting services from the Gallery's director

The Foundation receives consulting services from [REDACTED] 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, 2022 related to these services was \$259,850 [2021 – \$207,880].

The Art Gallery of Ontario Foundation

Notes to financial statements

December 31, 2022

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.