ASSURANCE AND ADVISORY
BUSINESS SERVICES

ASSURANCE SERVICES

Financial Statements

Art Gallery of Ontario

March 31, 2008

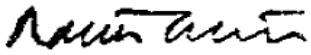
ERNST & YOUNG

ERNST & YOUNG LLP

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, 2008.

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, 2008 and the statements of operations and changes in net surplus (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, 2008 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 3, 2008.

Art Gallery of Ontario

BALANCE SHEET

[in thousands of dollars]

As at March 31

	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	**—**	10,636
Due from the Province of Ontario *[note 9]*	**8,600**	—
Other grants and accounts receivable *[note 14[d]]*	**1,840**	1,875
Inventories	**282**	509
Total current assets	**10,722**	13,020
Deferred expenses *[notes 12[c] and 16]*	**2,977**	2,058
Works of art, at nominal value *[note 3]*	**1**	1
Capital assets, net *[note 4]*	**209,744**	150,512
	223,444	165,591
LIABILITIES AND NET DEFICIT		
Current		
Bank indebtedness *[note 5[a]]*	**1,828**	—
Accounts payable and accrued liabilities	**21,188**	15,204
Deferred contributions *[note 6]*	**4,580**	2,280
Total current liabilities	**27,596**	17,484
Long-term debt *[note 5[b]]*	**21,911**	—
Deferred capital contributions *[note 7]*	**173,933**	152,984
Total liabilities	**223,440**	170,468
Commitments *[notes 5[b], 13 and 16]*		
Net surplus (deficit) *[note 10]*	**4**	(4,877)
	223,444	165,591

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 SURPLUS (DEFICIT)

[in thousands of dollars]

Year ended March 31

	2008 $	2007 $
REVENUE		
Government grants *[notes 6 and 9]*	**21,088**	12,618
Admissions	**464**	1,646
Membership fees	**619**	1,681
Donations and bequests *[notes 6 and 16]*	**9,049**	8,824
Education, outreach and program income	**553**	694
Gallery shop	**810**	1,816
Dining services	**129**	447
The Art Gallery of Ontario Foundation *[notes 14[b] and 15]*	**709**	729
Investment income	**114**	99
Gifted works of art *[note 3]*	**31,345**	58,591
Miscellaneous	**284**	375
	65,164	87,520
EXPENSES		
Administration	**4,324**	3,805
Physical plant and security	**5,575**	5,525
Curatorial and exhibitions	**7,935**	7,537
Education, outreach and programs	**2,812**	3,016
Membership and fundraising *[note 16]*	**3,728**	3,174
Marketing and promotion	**1,600**	2,461
Gallery shop	**1,275**	1,874
Dining services	**468**	1,068
Accession of art for collection *[note 3]*		
Gifted	**31,345**	58,591
Purchased	**866**	339
Interest	**50**	—
	59,978	87,390
Excess of revenue over expenses before the following	**5,186**	130
Amortization of deferred capital contributions	**2,658**	2,470
Amortization of capital assets	**(2,963)**	(2,598)
Excess of revenue over expenses for the year	**4,881**	2
Net deficit, beginning of year	**(4,877)**	(4,879)
Net surplus (deficit), end of year *[note 10]*	**4**	(4,877)

See accompanying notes

Art Gallery of Ontario

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**4,881**	2
Add (deduct) non-cash items		
Amortization of capital assets	**2,963**	2,598
Amortization of deferred capital contributions	**(2,658)**	(2,470)
Net change in non-cash working capital balances related to operations *[note 11]*	**(5,406)**	843
Net increase in deferred expenses	**(919)**	(592)
Cash provided by (used in) operating activities	**(1,139)**	381
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets		
Transformation AGO	**(59,479)**	(53,931)
Other capital assets	**(2,716)**	(1,527)
Less amount funded by accounts payable and accrued liabilities	**5,352**	7,886
	(56,843)	(47,572)
Contributions restricted for capital asset purchases	**23,607**	54,936
Advances on long-term debt	**21,911**	—
Cash provided by (used in) investing and financing activities	**(11,325)**	7,364
Net increase (decrease) in cash and cash equivalents during the year	**(12,464)**	7,745
Cash and cash equivalents, beginning of year	**10,636**	2,891
Cash and cash equivalents (bank indebtedness), end of year	**(1,828)**	10,636
Cash	**972**	2,891
Bank indebtedness	**(2,800)**	—
	(1,828)	2,891

See accompanying notes

Art Gallery of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, bankers' acceptances and guaranteed investment certificates with an original term to maturity of less than 90 days.

Inventories

Inventories, which represent goods held for resale, are valued at the lower of cost and net realizable value. Inventory value is determined using the weighted average method.

Works of art

The value of works of art has been excluded from the balance sheet except for a nominal value of $1,000. Gifted works of art are recorded as revenue at values based on appraisals by independent appraisers. Accession of art for collection, both gifted and purchased, is expensed.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

Interest costs related to the funding of capital assets are capitalized during the construction period.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the year end rate. Revenue and expenses are translated at the rate in effect on the settlement date.

Donated materials and services

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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.

Changes in accounting policies

Effective April 1, 2007, the Gallery adopted the recommendations of CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation.* CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As permitted by CICA 3855, the Gallery's financial assets and liabilities continue to be presented at amortized cost which approximates fair value. Therefore, the adoption of these recommendations did not have an impact on the financial statements.

Future changes in accounting policies

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. The CICA has also issued a new accounting standard, CICA 1506: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. In addition, the CICA has issued a new accounting standard, CICA 3031: *Inventory*, which requires additional disclosures and sets out new rules that may affect the valuation of inventories.

These new standards, which will be adopted by the Gallery effective April 1, 2008, will only require additional disclosures in the financial statements, except for CICA 3031: *Inventories*. The Gallery does not anticipate any significant impact on the Gallery's financial position or on the results of its operations from adoption of this new standard.

3. WORKS OF ART

As at March 31, 2008, the collection consisted of approximately 72,880 [2007 - 68,010] works of art. During fiscal 2008, the Gallery purchased 61 [2007 - 33] works of art at a total cost of $866,000 [2007 - $339,000]. Contributions to the collection included 4,809 [2007 - 510] works of art with an estimated fair value of $31,345,000 [2007 - $58,591,000].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2008			2007	
	Cost	**Accumulated amortization**		**Cost**	**Accumulated amortization**
	$	$	[000's]	$	$
Land	**525**			525	
Buildings and building improvements	**83,460**	**46,714**		82,392	44,522
Equipment and furnishings	**12,522**	**9,522**		10,874	8,751
Transformation AGO *[note 16]*	**169,473**	**—**		109,994	—
	265,980	**56,236**		203,785	53,273
Less accumulated amortization	**56,236**			53,273	
Net book value	**209,744**			150,512	

Interest of $371,000 [2007 - nil] was capitalized in the Transformation AGO project.

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

	2008 $	[000's]	**2007** $
Balance, beginning of year	**150,512**		97,652
Purchase of capital assets funded by deferred capital contributions			
Transformation AGO	**25,044**		53,930
Other capital assets	**2,335**		1,319
	27,379		55,249
Purchase of capital assets funded by long-term debt, or accounts payable and accrued liability	**34,445**		—
Purchase of capital assets internally funded	**371**		209
Amortization of capital assets	**(2,963)**		(2,598)
Balance, end of year	**209,744**		150,512

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 $2,800,000 [2007 - nil] was drawn as at March 31, 2008.

[b] The Gallery has negotiated construction financing through a 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 Gallery may borrow using advances at prime or bankers' acceptances at the bankers' acceptance rate plus 100 basis points. As at March 31, 2008, there was a total of $21,911,000 drawn via bankers' acceptance on the revolving loan [2007 - nil] at a rate of 3.61%. A standby interest expense of 20 basis points per annum is calculated for the unused portion of the $75 million revolving loan and is payable on a quarterly basis. Standby interest expense for 2008 was $138,000 [2007 - $131,000]. 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, 2008, there were outstanding letters of credit of $1,133,000 [2007 - $1,133,000].

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:

	2008 $ [000's]	2007 $
Balance, beginning of year	**2,280**	2,238
Grants and donations received for restricted purposes	**4,511**	1,407
Less amounts recognized as revenue during the year	**(2,211)**	(1,365)
Balance, end of year	**4,580**	2,280

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 surplus (deficit). The changes in the deferred capital contributions balance are as follows:

	2008 $ [000's]	2007 $
Balance, beginning of year	**152,984**	100,518
Less amortization of deferred capital contributions	**(2,658)**	(2,470)
Contributions restricted for capital assets		
Transformation AGO *[note 16]*	**21,589**	53,557
Other capital assets	**2,018**	1,379
Balance, end of year	**173,933**	152,984

Deferred capital contributions consist of the following:

	2008 $	[000's]	2007 $
Contributions used to fund			
Transformation AGO *[note 16]*	135,038		109,994
Other capital asset purchases	38,016		38,339
	173,054		148,333
Restricted contributions received but not yet spent			
Transformation AGO *[note 16]*	**—**		3,455
Other restricted contributions	**879**		1,196
	879		4,651
Balance, end of year	**173,933**		152,984

8. INVESTED IN CAPITAL ASSETS

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

	2008 $	[000's]	2007 $
Capital assets, net	**209,744**		150,512
Less amounts financed by			
Deferred capital contributions *[note 7]*	**(173,054)**		(148,333)
Long-term debt or accounts payable and accrued liabilities	**(34,445)**		—
Balance, end of year	**2,245**		2,179

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

	2008 $	[000's]	2007 $
Purchase of capital assets internally funded *[note 4]*	**371**		209
Increase in invested in capital assets	**371**		209
Amortization of capital assets	**2,963**		2,598
Less amount of amortization expense related to capital assets purchased with restricted contributions	**(2,658)**		(2,470)
Decrease in invested in capital assets	**305**		128
	66		81

9. GOVERNMENT GRANTS

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

	2008 $	[000's]	2007 $
Government of Ontario			
Operating	**11,507**		11,509
One time supplement	**8,600**		100
Government of Canada	**493**		550
City of Toronto	**488**		459
	21,088		12,618

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

	2008 $	[000's]	2007 $
Government of Ontario	**1,400**		1,250
Government of Canada	**—**		69
	1,400		1,319

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.

10. NET DEFICIT

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

	2008				2007
	Accumulated deficit	**Invested in capital assets**	**Board restricted**	**Total**	**Total**
	$	$	$	$	[000's] $
		[note 8]			
Net deficit, beginning of year	**(7,370)**	**2,179**	**314**	**(4,877)**	(4,879)
Excess of revenue over expenses for the year	**4,881**	**—**	**—**	**4,881**	2
Net change in invested in capital assets *[note 8[b]]*	**(66)**	**66**	**—**	**—**	—
Transfers	**(12)**	**—**	**12**	**—**	—
Net deficit, end of year	**(2,567)**	**2,245**	**326**	**4**	(4,877)

The Board of Trustees approved a transfer of $12,000 from accumulated deficit to Board restricted net assets [2007 - $9,000 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:

	2008		**2007**
	$	[000's]	$
Grants and accounts receivable	**35**		4,382
Due from the Province of Ontario	**(8,600)**		—
Inventories	**227**		(37)
Accounts payable and accrued liabilities	**632**		(3,544)
Deferred contributions	**2,300**		42
	(5,406)		843

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:

	2008 $	[000's]	**2007** $
Defined benefit component	**812**		779
Money purchase component	**309**		290
	1,121		1,069

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

	2008 $	[000's]	**2007** $
Employees' contributions	**209**		196
Employer contributions - defined benefit component	**717**		669
Employer contributions - money purchase component	**309**		290

[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 have an effective date of January 1, 2008 and should be completed by September 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:

	2008 $	[000's]	**2007** $
Accrued benefit obligation	**17,008**		18,092
Fair value of plan assets	**16,140**		15,955
Funded status - plan deficit	**(868)**		(2,137)
Unamortized transitional asset	**(718)**		(822)
Unamortized net actuarial losses	**1,826**		3,168
Accrued benefit asset included in deferred expenses	**240**		209

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

	2008 $	[000's]	**2007** $
Benefits paid	**414**		435

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

	2008 %	**2007** %
Accrued benefit obligation		
Discount rate	**6.00**	5.25
Salary increases	**3.25**	3.75
Expense		
Discount rate	**5.25**	5.50
Expected long-term rate of return on plan assets	**7.00**	7.00
Salary increases	**3.75**	3.75

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

	2008 %	2007 %
Money market	**3**	5
Canadian bonds	**37**	36
Canadian equities	**33**	33
U.S. equities	**14**	14
Other international equities	**13**	12
	100	100

13. LEASE COMMITMENTS

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

	$ [000's]
2009	81
2010	30
2011	24
2012	24
2013	24
2014	4
	187

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:

	2007 $ [000's]	**2006** $
Unrestricted	**248**	226
Restricted	**4,723**	5,311
Endowment	**22,624**	23,131
	27,595	28,668

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

	2008 $ [000's]	**2007** $
Operations	**510**	560
Acquisitions	**199**	169
	709	729

[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, 2007 totaled $100,168 [2006 - $42,000].

[d] Included in grants and accounts receivable are amounts due from the Foundation of $50,000 [2007 - $55,000]. The amounts are non-interest bearing and due on demand.

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, 2008, the Volunteers of the Art Gallery of Ontario donated $52,777 for sponsorship of the National Docent Symposium to be held in October 2009 from endowment income of the Volunteer Endowment Trust [2007 - $47,666 for the sponsorship of the Future Now exhibition]. These funds were transferred from the Volunteer Funds held within the Foundation and will be recorded as deferred contributions in the balance sheet until the symposium is held.

16. TRANSFORMATION AGO

The expansion project, known as Transformation AGO, will expand galleries and other public spaces. Expected completion date is in November 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, 2008.

As at March 31, 2008, the Gallery has incurred expenses totalling $169,473,000 [2007 - $109,994,000] for the project, which are recorded on the balance sheet as a capital asset *[note 4]*. At March 31, 2008, the Gallery has received contributions of $135,038,000 [2007 - $113,449,000], which are recorded on the balance sheet as deferred capital contributions *[note 7]*.

As at March 31, 2008, the Gallery had entered into contracts with a total outstanding value of approximately $29,100,000 [2007 - $76,000,000] 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, 2008, there are deferred fundraising costs of $1,143,000 [2007 - $1,185,000] recorded as deferred expenses on the balance sheet. In 2008, $997,000 [2007 - $689,000] of fundraising costs were recorded as an expense and an equal amount of donations was recorded as donations and bequests revenue.

17. FINANCIAL INSTRUMENTS

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

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

Ernst & Young LLP

ey.com/ca

© Ernst & Young LLP
A member firm of Ernst & Young Global Limited