

Financial Statements of

**ART GALLERY OF ALBERTA  
SOCIETY**

Year ended December 31, 2023

To the Members of Art Gallery of Alberta Society:

## Opinion

We have audited the financial statements of Art Gallery of Alberta Society (the "Gallery"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in fund balances and 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 December 31, 2023, and the results of its 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.

## Other Information

Management is responsible for the other information. The other information comprises the Gallery's annual Report to the Community.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We read the Report to the Community prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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.

Edmonton, Alberta

May 23, 2024

*MNP LLP*

Chartered Professional Accountants

**MNP**

# ART GALLERY OF ALBERTA SOCIETY

Financial Statements

Year ended December 31, 2023

## Financial Statements

Independent Auditor's Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5

# ART GALLERY OF ALBERTA SOCIETY

## Statement of Financial Position

As at December 31, 2023 and 2022

				Restated - Note 8	
				December 31, 2023	December 31, 2022
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
<b>Assets</b>					
Current assets:					
Cash	\$ -	\$ -	\$ 271,661	\$ 271,661	\$ 191,026
Accounts receivable	155,487	-	553	156,040	112,206
Grant receivable	-	-	-	-	153,594
Inventory	102,629	-	-	102,629	101,653
Prepaid expenses	119,944	-	-	119,944	97,419
	<u>378,060</u>	<u>-</u>	<u>272,214</u>	<u>650,274</u>	<u>655,898</u>
Investments (note 3)	74,071	3,406,157	-	3,480,228	3,706,604
Capital assets (note 4)	-	-	49,432,167	49,432,167	51,484,751
Collection of art (note 5)	-	-	25,712,950	25,712,950	25,345,307
Inter-fund balance	332,798	(2,017,139)	1,684,341	-	-
	<u>\$ 784,929</u>	<u>\$ 1,389,018</u>	<u>\$ 77,101,672</u>	<u>\$ 79,275,619</u>	<u>\$ 81,192,560</u>
<b>Liabilities and Fund Balances</b>					
Current liabilities:					
Bank overdraft	\$ 57,192	\$ -	\$ -	\$ 57,192	\$ -
Operating line of credit (note 7)	-	-	-	-	355,000
Accounts payable and accrued liabilities	799,850	-	2,860	802,710	787,481
Deferred revenue (note 6)	697,850	-	-	697,850	281,508
Current portion of long-term debt (note 7)	-	-	29,081	29,081	29,081
	<u>1,554,892</u>	<u>-</u>	<u>31,941</u>	<u>1,586,833</u>	<u>1,453,070</u>
Long-term debt (note 7)	-	-	118,745	118,745	147,826
	<u>1,554,892</u>	<u>-</u>	<u>150,686</u>	<u>1,705,578</u>	<u>1,600,896</u>
Fund balances:					
Invested in capital assets and collection of art	-	-	74,994,432	74,994,432	76,653,151
Externally restricted (note 8)	-	884,595	1,010,971	1,895,566	1,776,099
Internally restricted (note 8)	-	504,423	945,583	1,450,006	1,673,615
Operating reserve (note 9)	5,000	-	-	5,000	5,000
Unrestricted	(774,963)	-	-	(774,963)	(516,201)
	<u>(769,963)</u>	<u>1,389,018</u>	<u>76,950,986</u>	<u>77,570,041</u>	<u>79,591,664</u>
Commitments (note 10)					
	<u>\$ 784,929</u>	<u>\$ 1,389,018</u>	<u>\$ 77,101,672</u>	<u>\$ 79,275,619</u>	<u>\$ 81,192,560</u>

See accompanying notes to financial statements.

On behalf of the Board:

signed by "Anna Coghill"  
Director: \_\_\_\_\_

signed by "Leon Zupan"  
Director: \_\_\_\_\_

# ART GALLERY OF ALBERTA SOCIETY

## Statement of Operations

Year to Date December 31, 2023 and 2022

	2023		2022		
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
<b>Revenue:</b>					
Operations					
Admissions	\$ 229,054	\$ -	\$ -	\$ 229,054	\$ 184,312
Public programs	315,537	-	-	315,537	228,858
Retail services	382,791	-	553	383,344	438,448
Development and fundraising					
Memberships	107,582	-	-	107,582	119,542
Donations (note 3)	582,404	-	340,643	923,047	912,659
Sponsorships	482,333	-	-	482,333	553,821
Special events	210,661	-	-	210,661	219,228
Investment income (loss) (note 11, 16)	244,652	-	203,167	447,819	(65,286)
Grants (note 12)	2,746,853	-	200,000	2,946,853	2,883,857
Other					
Other revenue (note 15)	170,968	-	-	170,968	106,193
COVID-19 supports (note 13)	1,781	-	-	1,781	120,295
	\$ 5,474,616	\$ -	\$ 744,363	\$ 6,218,979	\$ 5,701,927
<b>Expenses:</b>					
Programs:					
Curatorial	\$ 1,632,026	\$ -	\$ -	\$ 1,632,026	\$ 1,567,184
Public programs	242,875	-	-	242,875	239,896
Facility and maintenance	1,547,307	-	1,936	1,549,243	1,521,578
Membership and development (note 14)	622,175	-	-	622,175	631,823
Marketing	357,635	-	-	357,635	289,206
Retail services	315,211	-	-	315,211	310,972
General and administration	1,243,171	-	-	1,243,171	1,270,804
Amortization of capital assets	-	-	2,254,505	2,254,505	2,272,389
Interest on long-term debt	-	-	9,930	9,930	4,565
Loss on capital asset disposal	-	-	13,831	13,831	7,168
	\$ 5,960,400	\$ -	\$ 2,280,202	\$ 8,240,602	\$ 8,115,585
Deficiency of revenue over expenses	\$ (485,784)	\$ -	\$ (1,535,839)	\$ (2,021,623)	\$ (2,413,658)
Stern fund transfer (note 16)	348,610	-	(348,610)	-	-
Deficiency of revenues over expenditures including Stern fund transfer	\$ (137,174)	\$ -	\$ (1,884,449)	\$ (2,021,623)	\$ (2,413,658)

See accompanying notes to financial statements.

# ART GALLERY OF ALBERTA SOCIETY

## Statement of Changes in Fund Balances

Year to Date December 31, 2023 and 2022

				2023	2022
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Fund balance, beginning of year	\$ (511,201)	\$ 1,389,018	\$ 78,713,847	\$ 79,591,664	\$ 82,005,322
Deficiency of revenue over expenses	(485,784)	-	(1,535,839)	(2,021,623)	(2,413,658)
Stern fund transfer (note 16)	348,610	-	(348,610)	-	-
Fund transfers related to debt repayment (note 8)	(39,011)	-	39,011	-	-
Other fund transfers (note 8)	(82,577)	-	82,577	-	-
Fund balance, end of year	\$ (769,963)	\$ 1,389,018	\$ 76,950,986	\$ 77,570,041	\$ 79,591,664

See accompanying notes to financial statements.

# ART GALLERY OF ALBERTA SOCIETY

## Statement of Cash Flows

Year ended December 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (2,021,623)	\$ (2,413,658)
Items not affecting cash:		
Amortization of capital assets	2,254,505	2,272,389
Loss on capital asset disposal	13,831	7,168
Realized investment losses (gains) (note 11)	(16,031)	27,698
Unrealized investment losses (gains) (note 11)	(176,208)	355,293
Donated objects of art (note 5)	(340,643)	(309,260)
	(286,169)	(60,370)
Changes in non-cash working capital	517,830	(497,105)
	231,661	(557,475)
Investing:		
Proceeds on sale of investments	663,847	80,719
Purchase of investments	(245,231)	(207,588)
Purchase of capital assets	(215,753)	(43,622)
Purchase of objects of art	(27,000)	(71,373)
	175,863	(241,864)
Financing:		
Draws on operating line of credit (note 7)	3,630,000	3,065,000
Repayment on operating line of credit (note 7)	(3,985,000)	(2,710,000)
Repayment of long-term debt	(29,081)	(29,080)
	(384,081)	325,920
Net change in cash during the year	23,443	(473,419)
Cash, beginning of year	191,026	664,445
Cash, end of year	\$ 214,469	\$ 191,026
Cash is composed of:		
Cash	\$ 271,661	\$ 191,026
Bank overdraft	(57,192)	-
	\$ 214,469	\$ 191,026

See accompanying notes to financial statements.



# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements

Year ended December 31, 2023

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## 1. Purpose of the organization:

The Art Gallery of Alberta Society (the "Gallery"), is a public art gallery that serves as a centre of excellence for the visual arts in Western Canada, connecting people, art and ideas. The Gallery is focused on the development and presentation of original exhibitions of contemporary and historical art from Alberta, Canada, and around the world and also offers a full-range of art education and public programs. The Gallery is incorporated under the Societies Act of Alberta. The Gallery is a registered charity and is exempt from income taxes provided certain requirements of the Income Tax Act are met.

## 2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

### (a) Fund accounting:

The Gallery follows the restricted fund method of accounting for contributions. The following funds have been established for financial reporting purposes:

- (i) The Operating Fund reports the Gallery's program delivery and administrative activities and includes unrestricted resources and restricted operating grants.
- (ii) The Endowment Fund reports resources contributed by external donors for endowment as well as funds that have been internally restricted for endowment through Board of Director motion.
  - a. For donor restricted endowment funds, the principal must remain intact in perpetuity and the income earned thereon is to be expended for the purposes specified by the donor. For internally restricted endowment funds, the principal is retained in the Endowment Fund and may be used at the discretion of the Board of Directors.
  - b. Investment income for the endowment funds is recognized in the Capital Fund or the Operating Fund dependent upon the defined purpose of the endowment. Annual distribution of expenditures of accumulated investment income on the endowment funds require Board of Director approval in accordance with the terms of the endowment.
- (iii) The Capital Fund reports the assets, liabilities, revenue and expenses related to the Gallery's capital assets and collection of art. Externally restricted capital funds reflect resources from donors that are designated for purchases of capital assets or objects of art. Internally restricted capital funds reflect resources designated for capital purposes based on Board of Directors motion.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (b) Inventory:

Inventory is recorded at the lower of cost and net realizable value with cost determined on a weighted average basis. Net realizable value is the estimated selling price in the normal course of operations less the estimated costs necessary to make the sale. Included in the cost of inventories are costs of purchase net of vendor allowances, plus other costs, such as transportation and duty, that are directly incurred to bring inventories to their present location and condition. A provision for shrinkage and obsolescence is calculated based on historical experience. Management reviews the provision annually to assess whether based on economic conditions it is adequate.

### (c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Gallery's ability to provide services, its carrying amount is written down to its residual value.

Amortization of capital assets begins in the month of acquisition and is provided on the straight-line basis over the assets' estimated useful lives as follows:

Asset	Years
Building	40
Building improvements	15
Leasehold improvements	30
Equipment	5 - 15
Vehicles	10
Furniture	5
Computer hardware	5
Computer software	3
Intangible assets	5

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# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (d) Collection of art:

The collection includes objects purchased by and donated to the Gallery. Purchased objects of art are recorded at cost. Upon completion of an independent appraisal as required by Canada Revenue Agency, donated objects of art are recorded at fair market value. Fair market value is determined at the date of donation. Such donations are recognized as revenue of the Capital Fund. The Gallery does not amortize objects of art.

At year-end, there may be objects of art donated to the Gallery for which an independent appraisal and approval from the Canadian Cultural Property Export Review Board has not been completed. Due to the subjective nature of estimating the value of these items, recognition of the assets is not recorded until such time that the independent appraisal is completed.

Given the importance and value of the collection in helping the organization carry out its mission, the Gallery seeks to protect and preserve the objects held, understanding them to be invaluable. As such, although the collection is shown as an asset with objects held recorded at cost on the Statement of Financial Position, no objects within the collection are considered saleable to meet financial obligations. If in the unlikely event an item were sold from the collection, proceeds from the sale of items in the collection will be credited to the care and development of the collection and cannot be accessed to meet other financial obligations.

### (e) Long-lived assets

Long-lived assets consist of capital assets and collection of art and are measured and amortized as described in the applicable accounting policies.

The Gallery writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Gallery's ability to provide goods and services or future economic benefits of the asset are less than its net carrying amount. When the Gallery determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (f) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All externally restricted contributions for capital purposes are recognized as revenue of the Capital Fund based on the intention of the donor (see note 2 (a) (iv)).

Externally restricted endowment contributions are recognized as revenue of the Endowment Fund in the period received or receivable.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount can be reasonably estimated and collection is assured.

Revenues for the provision of goods or services are recognized in the year in which the goods are provided or the services rendered.

Net investment income is comprised of interest, dividends, realized and unrealized gains and losses on investment activities, less investment management fees and expenses. Net investment income earned on Capital and Operating Fund resources is recognized as revenue of the respective fund that holds the related cash or investments. Net investment income earned on endowment resources is recognized as revenue of the Operating Fund or Capital Fund in accordance with the restrictions of the donor.

### (g) Contributed materials and services:

Contributed materials and services, other than donated objects of art, are not recorded in the financial statements because of the difficulty in determining their fair value.

Volunteers contribute numerous hours in carrying out the activities of the Gallery. Because of the difficulty in determining their fair value, contributed voluntary services are not recognized in these financial statements.

### (h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets, fair market value of donated art, accounts receivable, grant receivable, and inventory. Actual results could differ from those estimates.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (i) Financial instruments:

The Gallery recognizes its financial instruments when the Gallery becomes party to the contractual provisions of the financial instrument.

#### Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Gallery may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Gallery has not made such an election during the year.

The Gallery subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in surplus (deficiency) of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

#### Financial asset impairment

The Gallery assesses impairment of all its financial assets measured at cost or amortized cost. The Gallery reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year surplus (deficiency) of revenue over expenses. The Gallery reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in surplus (deficiency) of revenue over expenses in the year the reversal occurs.

### (j) Allocation of expenses:

The Gallery records a number of its expenses by program including curatorial, educational and fundraising programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

The Gallery also incurs a number of general support expenses that are common to the administration of the Gallery and each of its programs. General support expenses, which include human resource and information technology costs, are included in general and administration expense. All fundraising expenses are included in membership and development expenses. The Gallery does not allocate general support or fundraising expenses to program departments.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

### 3. Investments:

	December 31, 2023	December 31, 2022
Operating Fund		
CareVest Senior Mortgage Investment	\$ 8,563	\$ 8,273
RBC Direct Investing (a)	-	156,332
Franklin Bissett Short Duration Bond Fund Series O (b)	65,508	62,015
	<u>74,071</u>	<u>226,620</u>
Endowment Fund		
Franklin Templeton Investments (c)		
Franklin Templeton Institutional Balanced Trust Series O	3,406,157	3,479,984
	<u>3,406,157</u>	<u>3,479,984</u>
<b>Total</b>	<b>\$ 3,480,228</b>	<b>\$ 3,706,604</b>

(a) In the RBC Direct Investing account, the Gallery received \$50,309 (2022 - \$127,852) during the year which was recognized as donation revenue in the Operating Fund. The investments in this account have been sold.

(b) The Franklin Bissett Short Duration Bond Fund Series O are held for the 100<sup>th</sup> Anniversary Campaign.

(c) Geographic mix is 61.5% Canadian and 38.5% global, with 100% in balanced funds. (2022 – 65.5%, 34.5%, 100% respectively)

In addition to the investments mentioned above, the Edmonton Community Foundation (the “Foundation”) holds \$4,714,032 (2022 - \$4,382,412) in funds for which the Art Gallery of Alberta Society is the sole beneficiary and the Foundation distributes a portion of the earnings from such funds annually. During 2023, the Gallery received a distribution of \$175,295 (2022 - \$190,679) which was recognized as investment income in the Operating Fund.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 4. Capital assets:

				December 31, 2023	
	Cost		Accumulated Amortization		Net Book Value
Land	\$ 211,000	\$	-	\$	211,000
Building	73,075,353		25,582,430		47,492,923
Building improvements	95,324		23,045		72,279
Leasehold improvements	2,257,836		1,325,386		932,450
Equipment	4,411,638		3,893,710		517,928
Vehicles	87,421		87,421		-
Furniture	1,588,203		1,574,539		13,664
Computer hardware	498,204		313,035		185,169
Computer software	187,977		181,223		6,754
Intangible assets	26,443		26,443		-
	\$ 82,439,399	\$	33,007,232	\$	49,432,167

				December 31, 2022	
	Cost		Accumulated Amortization		Net Book Value
Land	\$ 211,000	\$	-	\$	211,000
Building	73,075,353		23,755,542		49,319,811
Building improvements	95,324		16,690		78,634
Leasehold improvements	2,257,836		1,248,563		1,009,273
Equipment	4,368,592		3,846,879		521,713
Vehicles	87,421		87,421		-
Furniture	1,588,203		1,569,069		19,134
Computer hardware	498,204		217,983		280,221
Computer software	187,977		143,012		44,965
Intangible assets	26,443		26,443		-
	\$ 82,396,353	\$	30,911,602	\$	51,484,751

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 5. Collection of art:

	December 31, 2023	December 31, 2022
Donated objects of art	\$ 22,340,610	\$ 21,999,967
Purchased objects of art	3,372,340	3,345,340
	\$ 25,712,950	\$ 25,345,307

The collection consists of approximately 6,383 objects of art held in the public trust. Donations to the collection recognized during the year included objects of art with an appraised fair market value of \$340,643 (2022 - \$309,260), of which \$80,125 (2022 - \$151,500) were donated in prior years. There were six items donated that remain to be appraised at December 31. The Gallery deaccessioned an object of art with a value of \$nil during the year (2022 - \$3,220).

## 6. Deferred revenue:

The deferred revenue balance is comprised of funding from the following sources:

	December 31, 2023	December 31, 2022
City of Edmonton	\$ 326,250	\$ -
Scrymgeour fund (note 15)	98,630	90,268
Art class, membership fees and prepaid event tickets	94,154	81,800
Government of Alberta	65,504	-
Sponsorships – Exhibition & Programs	33,333	33,333
Alberta Foundation for the Arts	32,582	35,449
Alberta Museums Association	25,000	25,000
Private donations	22,397	-
Edmonton Arts Council	-	14,408
Gaming revenue	-	1,250
	\$ 697,850	\$ 281,508



# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 7. Operating line of credit and long-term debt:

The Gallery has access to a \$2,000,000 (2022 - \$2,000,000) operating line of credit at bank prime plus 0.95% (2022 - prime plus 0.95%). As of December 31, 2023, the Gallery has drawn \$nil (2022 - \$355,000) on this facility.

The Gallery's long-term debt is comprised of:

	December 31, 2023	December 31, 2022
Interest rate 6.44% (2022 - 6.44%) non-revolving term facility, due January 2025, with a monthly principal payment of \$2,423 plus interest	\$ 147,826	\$ 176,907
Less current portion of long-term debt	29,081	29,081
	\$ 118,745	\$ 147,826

Security for these borrowings includes a general security agreement - floating charge on land constituting a first floating charge on all present and after-acquired real property, a first ranking interest in all personal property, a collateral mortgage in the amount of \$3,400,000 constituting a first fixed charge on land and improvements, and an assignment of an insurance policy.

Future principal payments required on long-term debt are as follows:

	December 31, 2023
2024	\$ 29,081
2025	118,745
	\$ 147,826

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 8. Restricted funds:

Contributions received that are subject to externally imposed restrictions are expended in accordance with the donors' restrictions, which are summarized below:

	(Restated)	
	December 31, 2023	December 31, 2022
<b>Endowment Fund</b>		
Endowments, the income from which is restricted for the exhibition and/or acquisition of European objects of art	\$ 367,417	\$ 367,417
Endowments, the income from which is restricted for acquisition of Canadian objects of art	117,178	117,178
Endowments, the income from which is restricted for acquisition of objects of art	400,000	400,000
Externally restricted endowment funds	884,595	884,595
<b>Capital Fund</b>		
Restricted for capital upgrades	68,301	-
Restricted for the exhibition and/or acquisition of European objects of art	622,471	622,471
Restricted for acquisition of Canadian objects of art	229,212	222,370
Restricted for acquisition of objects of art	90,987	46,663
Externally restricted capital funds	1,010,971	891,504
	\$ 1,895,566	\$ 1,776,099

During the year, aggregate transfers of \$121,588 (2022 - \$80,522) of equity were made from the Operating Fund to the Capital Fund to cover debt payments of \$39,011 (2022 - \$33,645) and capital asset purchases and capital maintenance costs of \$82,577 (2022 - \$46,877).

In 2023, there was a change in classification of the Stern funds from externally to internally restricted as outlined in note 16. This resulted in a reclassification at December 31, 2022 from externally restricted to internally restricted fund balances in both the endowment and capital funds of \$504,423 and \$1,169,192 respectively.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 9. Operating reserve:

The Alberta Foundation for the Arts has a funding requirement for the Gallery to have an operating reserve fund. At December 31, 2023, the Gallery has \$5,000 (2022 - \$5,000) of unrestricted net assets as its operating reserve.

## 10. Commitments:

The Gallery is committed under operating leases for the collection services facility until February 28, 2027. The monthly payments are \$10,885 including management fees plus operating costs.

The Gallery is committed under operating leases for offsite storage until October 31, 2024. The monthly payment is \$488.

In the normal course of its operations, the Gallery enters into funding contracts for future exhibitions. During the year the Gallery committed to funding twenty exhibitions to be held in 2024.

The Gallery also holds operating leases for certain office equipment.

The minimum annual lease payments and funding contracts over the next five years are as follows:

	2024	2025	2026	2027	2028
Collection services facility	\$ 135,500	\$ 130,620	\$ 130,620	\$ 21,770	-
Office equipment	9,909	9,909	9,909	9,909	8,258
Exhibitions	183,600	-	-	-	-
	\$ 329,009	\$ 140,529	\$ 140,529	\$ 31,679	\$ 8,258

## 11. Investment income (losses):

	2023			2022	
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Investment income:					
Franklin Templeton Funds	\$ 56,834	\$ -	\$ 19,298	\$ 76,132	\$ 126,325
Edmonton Community Foundation (note 3)	175,295	-	-	175,295	190,679
Other	4,153	-	-	4,153	701
	236,282	-	19,298	255,580	317,705
Realized investment gains (losses):					
Franklin Templeton Funds	(7)	-	(5,325)	(5,332)	(27,698)
RBC Direct Investing	21,363	-	-	21,363	-
	21,356	-	(5,325)	16,031	(27,698)
Unrealized investment gains (losses):					
Franklin Templeton Funds	(13,277)	-	189,194	175,917	(353,392)
CareVest Senior Mortgage Investment	291	-	-	291	207
RBC Direct Investing	-	-	-	-	(2,108)
	(12,986)	-	189,194	176,208	(355,293)
	\$ 244,652	\$ -	\$ 203,167	\$ 447,819	\$ (65,286)

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 12. Grants:

				2023	2022
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Edmonton Arts Council	\$ 1,389,408	\$ -	\$ -	\$ 1,389,408	\$ 1,385,292
Alberta Foundation for the Arts	805,047	-	-	805,047	830,589
Canada Council for the Arts	330,000	-	-	330,000	433,522
Other	222,398	-	200,000	422,398	234,454
	\$ 2,746,853	\$ -	\$ 200,000	\$ 2,946,853	\$ 2,883,857

## 13. COVID-19 Supports:

				2023	2022
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Alberta Jobs Now Program	\$ 1,781	\$ -	\$ -	\$ 1,781	\$ 120,295
	\$ 1,781	\$ -	\$ -	\$ 1,781	\$ 120,295

Alberta Jobs Now Program ("AJNP"):

Under the AJNP program, organizations could apply for funding to offset the cost of hiring and training employees in new or vacant positions to help businesses re-open or grow their workforce. For the year ended December 31, 2023, the Gallery received this final payment of \$1,781.

## 14. Additional information to comply with the disclosure requirement of the charitable fund-raising act and regulation:

Expenses incurred for the purpose of soliciting contributions are allocated to the Membership and Development department as presented on the Statement of Operations.

	2023	2022
Total remuneration paid to employees whose principal duties involve fundraising	\$ 256,620	\$ 293,959
Expenses incurred for the purposes of soliciting contributions	185,917	166,361
	\$ 442,537	\$ 460,320

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 15. Scrymgeour fund transfer:

The Gallery received an endowment in 1977 from a corporation once directed by John Scrymgeour. The endowment earnings were restricted for the purpose of purchasing European art. Opportunities to acquire European art are limited due to both the rationale for the mandate of the Gallery and the typical high value of desirable European art. As such, the initial endowment of \$367,417 had accumulated investment earnings as of December 31, 2017, of \$789,064 in the Capital Fund.

Due to the limited options to spend these funds, the Gallery pursued the successor corporations to the original donor affiliated with John Scrymgeour during 2016 and 2017 to inquire about changing the restriction on the fund. The Gallery was successful in tracking down the appropriate corporation(s) with authority to amend the restrictions, and revised the endowment to allow the earnings to be spent on either the acquisition or exhibition of European art.

In the year, \$102,781 (2022 - \$17,046) was recognized as other revenue in the Operating Fund to cover eligible operating expenses of exhibitions. Investment income of \$111,143 (2022 - investment loss of \$107,586) was recorded as deferred revenue (note 6).

## 16. Stern fund transfer:

The Gallery received a bequest in 1991 from the estate of Dr. Max Stern. The initial contribution was classified as externally restricted for endowment; the earnings were classified as externally restricted for capital.

There was a reclassification of the funds to internally restricted in 2023 in recognition that the restrictions were placed in 1991 by the Executive Director at the Gallery.

Following this reclassification of the funds to internally restricted, the Board of Directors approved that the Gallery change the use of the Dr. Stern endowment to the exhibition and/or acquisition of Canadian art.

In the year, \$40,047 (2022 - \$nil) was recognized as investment income in the Operating Fund related to the period subsequent to redesignation to cover the related operating expenses of exhibitions. \$348,610 (2022 - \$nil) of the Capital Fund net assets representing historically accumulated investment earnings on the Stern endowment were transferred to the Operating Fund to cover the related operating expenses of Canadian art exhibitions.

# ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 17. Financial risks and concentration of credit risk:

The Gallery, as part of its operations, carries a number of financial instruments. It is management's opinion that the Gallery is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

(a) Liquidity risk:

Liquidity is the risk that the Gallery will not be able to fulfill its financial obligations on a timely basis or at a reasonable cost. There has been an increase to the risk exposures as a result of the deficiency of revenue over expenses in 2023. The Gallery manages its liquidity risk by monitoring its operating requirements. The Gallery prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Gallery is exposed to credit risk with respect to the accounts receivable and grants receivable. The Gallery assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There were no material grants receivable.

(c) Interest rate risk:

The Gallery is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the Gallery to a fair value risk while the floating-rate instruments subject it to a cash-flow risk. The Gallery is exposed to interest rate risk with respect to its investments (note 3), operating line of credit and long-term debt (note 7).

(d) Market risk (or Other Price Risk):

The Gallery is exposed to market risk through its investments. The risk is managed by the composition of the investments which is governed by the Gallery's investment policy and reviewed annually.