

Financial Statements of

**ART GALLERY OF ALBERTA
SOCIETY**

Year ended December 31, 2009

ART GALLERY OF ALBERTA SOCIETY

Financial Statements

Year ended December 31, 2009

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AUDITORS' REPORT

To the Members of Art Gallery of Alberta Society

We have audited the statement of financial position of Art Gallery of Alberta Society (the "Gallery") as at December 31, 2009 and the statements of operations and changes in fund balances 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 December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Edmonton, Canada
March 12, 2010

ART GALLERY OF ALBERTA SOCIETY

Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009			2008		
	Operating Fund	Endowment Fund	Capital Fund	Total	Total	
Assets						
Current assets:						
Cash	\$ 2,550,135	\$ 565	\$ 12,780	\$ 2,563,480	\$ 2,313,464	
Accounts receivable	580,879	550	2,420	583,849	1,453,984	
Grant receivable	515,111	-	-	515,111	301,663	
Inventory	41,322	-	-	41,322	2,500	
Prepaid expenses	761,492	-	384	761,876	219,702	
Foreign exchange derivative (note 7)	-	-	-	-	76,432	
	4,448,939	1,115	15,584	4,465,638	4,367,745	
Investments (note 3)	515,032	3,217,941	1,827,877	5,560,850	10,274,176	
Capital assets (note 4)	-	-	78,537,493	78,537,493	50,607,456	
Collection of art (note 5)	-	-	14,553,731	14,553,731	14,553,731	
Inter-fund balance	(1,665,704)	(1,240,753)	2,906,457	-	-	
	\$ 3,298,267	\$ 1,978,303	\$ 97,841,142	\$ 103,117,712	\$ 79,803,108	

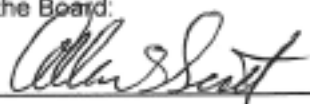
Liabilities and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities	\$ 1,460,370	\$ 4,151	\$ 1,818,331	\$ 3,282,852	\$ 3,303,323	
Deferred revenue (note 6)	1,537,014	-	5,006	1,542,020	360,755	
Holdbacks payable (note 8)	-	-	5,537,522	5,537,522	-	
	2,997,384	4,151	7,360,859	10,362,394	3,664,078	
Holdbacks payable (note 8)	-	-	-	-	3,936,280	
Deferred lease inducement (note 9)	238,334	-	-	238,334	275,000	
	238,334	-	-	238,334	4,211,280	
Fund balances:						
Invested in capital assets and collection of art	-	-	85,735,371	85,735,371	58,563,157	
Externally restricted (note 10)	-	1,389,018	4,744,912	6,133,930	12,725,591	
Internally restricted (note 11)	-	585,134	-	585,134	585,134	
Unrestricted	62,549	-	-	62,549	53,868	
	62,549	1,974,152	90,480,283	92,516,984	71,927,750	
Commitments (note 14)						
	\$ 3,298,267	\$ 1,978,303	\$ 97,841,142	\$ 103,117,712	\$ 79,803,108	

See accompanying notes to financial statements.

On behalf of the Board:

Director



Director



ART GALLERY OF ALBERTA SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2009, with comparative figures for 2008

				2009	2008
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Revenues:					
Grants (note 12)	\$ 1,403,372	\$ -	\$ 21,000,000	\$ 22,403,372	\$ 30,069,241
Donated objects of art (note 5)	-	-	-	-	9,500
Donations	1,975,826	-	791,171	2,766,997	3,624,617
Sponsorships	162,000	-	-	162,000	120,000
Art rental and sales	473,465	-	-	473,465	482,693
Gallery shop	3,244	-	-	3,244	-
Art class fees	91,654	-	-	91,654	107,386
Admissions and memberships	131,657	-	-	131,657	111,860
Casinos and bingos	75,684	-	-	75,684	-
Special events	114,203	-	-	114,203	169,356
Investment income (note 13)	254,868	-	302,884	557,752	808,930
Foreign exchange gain	-	-	-	-	95,106
Foreign exchange derivative gain (note 7)	-	-	-	-	208,161
Other	108,165	-	12,618	120,783	141,172
	4,794,138	-	22,106,673	26,900,811	35,948,022
Expenses:					
Programs:					
Curatorial	1,348,940	-	-	1,348,940	957,126
Public programs	161,434	-	-	161,434	168,940
Building maintenance and security	730,927	-	-	730,927	585,875
Collection facility	186,015	-	-	186,015	238,691
General and administration	1,104,231	-	-	1,104,231	433,460
Art rental and sales program	400,970	-	-	400,970	391,237
Membership and development (note 15)	369,399	-	-	369,399	345,063
Gallery shop	68,873	-	-	68,873	-
Marketing	414,668	-	-	414,668	286,305
Capital program expenditures	-	-	291,716	291,716	276,419
Amortization of capital assets	-	-	1,149,746	1,149,746	1,107,437
Foreign exchanges loss	-	-	8,226	8,226	-
Foreign exchange derivative loss (note 7)	-	-	76,432	76,432	-
	4,785,457	-	1,526,120	6,311,577	4,790,553
Excess of revenues over expenses	8,681	-	20,580,553	20,589,234	31,157,469
Fund balance, beginning of year	53,868	1,974,152	69,899,730	71,927,750	40,770,281
Fund balance, end of year	\$ 62,549	\$ 1,974,152	\$ 90,480,283	\$ 92,516,984	\$ 71,927,750

See accompanying notes to financial statements.

ART GALLERY OF ALBERTA SOCIETY

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

				2009	2008
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Cash provided by (used in):					
Operations:					
Excess of revenues over expenses	\$ 8,681	\$ -	\$ 20,580,553	\$ 20,589,234	\$ 31,157,469
Items not affecting cash:					
Amortization of capital assets	-	-	1,149,746	1,149,746	1,107,437
Amortization of lease inducement	(36,666)	-	-	(36,666)	(10,000)
Objects of art donated	-	-	-	-	(9,500)
Unrealized investment losses (gains) (note 13)	(96,450)	-	(242,223)	(338,673)	474,469
Realized investment losses (note 13)	-	-	736	736	12,418
Foreign exchange derivative loss (gain)	-	-	76,432	76,432	(208,161)
	(124,435)	-	21,565,244	21,440,809	32,524,132
Changes in non-cash operating accounts	2,107,435	404	729,888	2,837,727	2,713,768
Changes in inter-fund balances	(1,329,110)	(404)	1,329,514	-	-
	653,890	-	23,624,646	24,278,536	35,237,900
Investing:					
Proceeds on sale of investments	48,813	-	5,045,807	5,094,620	701,326
Purchase of investments	(13,887)	-	(29,470)	(43,357)	(7,704,193)
Purchase of capital assets	-	-	(29,079,783)	(29,079,783)	(28,878,970)
	34,926	-	(24,063,446)	(24,028,520)	(35,881,837)
Increase (decrease) in cash	688,816	-	(438,800)	250,016	(643,937)
Cash, beginning of year	1,861,319	565	451,580	2,313,464	2,957,401
Cash, end of year	\$ 2,550,135	\$ 565	\$ 12,780	\$ 2,563,480	\$ 2,313,464

See accompanying notes to financial statements.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements

Year ended December 31, 2009

1. Purpose of the organization:

The Art Gallery of Alberta Society (the "Gallery") (operating as the Art Gallery of Alberta), is a public art gallery that provides a forum for the collection, exhibition and discussion of art, where people find meaning, inspiration and delight, while exploring the human experience through the eyes, intelligence and hand of the artist. The Gallery is incorporated under the Societies Act of Alberta. The Gallery is a registered charity and is exempt from income taxes in accordance with the provisions of the Income Tax Act.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(b) 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.

For donor restricted endowment funds, the principal must remain intact in perpetuity, however the income earned thereon must be expended for the purposes specified by the donors in accordance with the Gallery's investment policies. The Gallery's investment policy provides for the distribution for spending purposes of a specified amount of the investment income earned by the endowment funds. Excess investment income, if any, is added to the original principal to be retained in the Endowment Fund by way of inter-fund transfer.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

- (iii) For the internally restricted endowment funds, the principal is retained in the Endowment Fund and may be used at the discretion of the Board of Directors. Related investment income is recognized in the Operating Fund. Each year, a maximum of 5% of the internally restricted endowment fund balance may be approved by the Board of Directors to be retained and expended by the Operating Fund. Net investment income earned in excess of the investment income retained by the Operating Fund is transferred to the internally restricted endowment funds in the Endowment Fund by way of inter-fund transfer. The internally restricted endowment fund balance is therefore comprised of the original amounts restricted by the Board to provide endowment resources to support operations of the Gallery and investment income earned in excess of the Gallery's investment policy distribution limits. Such internally restricted endowment funds may be utilized in future years for operating or other purposes at the discretion of the Board of Directors. The Board of Directors considers the utilization of the internally restricted endowment funds on an annual basis.
- (iv) 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, 2009

2. Significant accounting policies (continued):

(c) Financial instruments and risk management:

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in those fair values recognized in the Statement of Operations. Loans and receivables and financial liabilities classified as other financial liabilities are initially recorded at fair value and subsequently measured at amortized cost. Unless otherwise noted, the fair value of these investments approximates their carrying value, primarily due to the short-term nature of the Gallery's financial instruments except for the managed portfolios in the Endowment and Capital Funds. The fair value of the managed portfolios are calculated based on the closing market values of the underlying securities, determined on a trade date basis, within the pooled funds less accrued costs within these pooled funds.

The Gallery has classified its significant financial assets and financial liabilities as follows:

- Cash and investments are classified as held-for-trading;
- Derivative instruments are classified as held-for-trading as the Gallery does not use them for hedging;
- Accounts and grants receivable are classified as loans and receivables; and
- Accounts payable and accrued liabilities, and holdbacks payable are classified as other financial liabilities.

Transaction costs are recognized immediately in the Statement of Operations. Trade-date basis of accounting is used for financial instruments. The Gallery has elected to exclude the application of Section 3855 of CICA Handbook for contracts to buy or sell non-financial items and embedded derivatives within these contracts and for embedded derivatives within lease and insurance contracts.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(c) Financial instruments and risk management (continued):

The Gallery has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, liquidity risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate, foreign exchange and market risk. Interest rate risk relates to the possibility that the investments will change in value due to the future fluctuations in market interest rates. Foreign exchange risk relates to the possibility that the investments will change in value due to fluctuations in foreign currencies. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

These risks are managed by the Gallery's investment policies, which prescribe the investment asset mix including the degree of liquidity and concentration and the amount of foreign content. The Gallery uses derivative financial instruments to mitigate the effects of foreign currency exchange rate risk. The Gallery invests surplus funds in guaranteed investments certificates and other similar investments. The Gallery's accounts receivable are substantially comprised of amounts due from various levels of government. Accordingly, the Gallery is not exposed to significant credit risk. The Gallery has no long term debt which restricts exposure to liquidity and price risk.

(d) Inventory:

Inventory is recorded at the lower of cost and net realizable value with cost determined on a specific item basis.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at estimated fair market value at the date of contribution.

Interest on holdbacks payable for the capital work-in-progress is capitalized. The interest capitalized is determined based on the effective interest applicable to the related holdback payable liability.

Amortization is provided on the straight-line basis over the assets' estimated useful lives as follows:

Asset	Years
Building	40
Computer hardware	5
Computer software	3
Equipment	5 – 10
Furniture	5
Leasehold improvements	30
Vehicles	10

(f) 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 Canada Revenue Agency 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.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(g) 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 other externally restricted contributions are recognized as revenue of either the Endowment Fund or Capital Fund based on the intention of the donor (see note 2 (b) (ii)).

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. Revenue for touring art exhibitions at other locations is recognized at the completion of the exhibition.

Net investment income is comprised of interest, dividends, realized and unrealized gains and losses on investment activities, and 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 internally restricted endowment resources is recognized as revenue of the Operating Fund. Net investment income on externally restricted endowment funds is recognized as revenue of the Operating Fund or Capital Fund in accordance with the restrictions of the donor.

(h) Contributed materials and services:

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

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

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(i) Capital management:

The Gallery's objectives when managing capital are to safeguard the Gallery's ability to continue as a going concern, so that it can continue to provide service to stakeholders, to continue to promote and assist in the development of the visual arts in Alberta.

The Gallery sets the sufficiency of capital to maintain the service needs of the stakeholders and makes adjustments to capital, through appropriation to or from internally restricted funds to respond to potential changes in economic conditions. In order to maintain a sufficient capital structure, management looks forward to future needs and will recommend increased fees, or adjustment of the portfolio mix, or seek additional grants.

(j) Allocation of expenses:

On January 1, 2009, the Gallery adopted Section 4470 of the CICA Handbook, "Disclosure of allocated expenses by not-for-profit organizations". This Section establishes disclosure standards for those organizations that choose to classify their expenses by function and allocate expenses from one function to another.

The Gallery engages in curatorial, educational and fundraising programs. Each program includes 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 organization 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, 2009

3. Investments:

	2009	2008
Operating Fund		
Guaranteed investment certificates (a)	\$ 515,032	\$ 563,845
Endowment Fund		
Guaranteed investment certificates (a)	471,108	469,385
Bissett Investment Management (b)		
Bissett Bond SrO	900,248	836,009
Bissett Institutional Balanced Trust	1,389,001	1,131,459
Templeton Global Stock Trust	457,584	401,083
	3,217,941	2,837,936
Capital Fund		
Guaranteed investment certificates (a)	1,750,000	6,000,000
RBC Direct Investing (d)	56,827	853,867
Edmonton Community Foundation (c)	21,050	18,528
	1,827,877	6,872,395
Total	\$ 5,560,850	\$10,274,176

(a) All guaranteed investment certificates are redeemable on demand and are for one year variable terms, maturing in 2010, with rates of 0.20% to 0.55% (2008 – 1.25% to 3.75%).

(b) Geographic mix is 83% Canadian and 17% global, with 17% in equity funds, 51% in balanced funds and 32% in bond funds.

(c) Consists of equities, mortgage funds, real estate investment trusts, and fixed income securities denominated in both foreign and domestic currency. Equities constitute approximately 61% of the portfolio of which approximately 25% are domestic.

(d) Consists of donated cash and Canadian equities and mutual funds.

In addition to the investments mentioned above, the Edmonton Community Foundation holds \$2,223,461 (2008 - \$2,110,450) in a fund for which the Art Gallery of Alberta Society is the sole beneficiary. The donor of these funds instructed that they be used for the New Vision Art Gallery of Alberta project. During 2009 the Gallery received a charitable disbursement of \$146,241 (2008 - \$nil).

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

4. Capital assets:

			2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 211,000	\$ -	\$ 211,000	\$ 211,000
Computer hardware	171,280	70,311	100,969	46,069
Computer software	134,919	12,371	122,548	-
Equipment	849,282	241,599	607,683	490,074
Furniture	251,761	29,062	222,699	19,679
Leasehold improvements	2,239,050	259,945	1,979,105	2,990,484
Vehicles	87,421	26,082	61,339	48,044
Work-in-progress	75,232,150	-	75,232,150	46,802,106
	\$79,176,863	\$ 639,370	\$78,537,493	\$50,607,456

In 2009, the Gallery continued with the design and construction of the new gallery. Direct capital costs related to the new building of \$75,232,150 (2008 - \$46,802,106) consist of schematic design fees and disbursements, demolition, excavation, and construction costs. Amortization of capital work-in-progress will commence once the related facilities are placed into service on January 31, 2010. Holdbacks payable of \$5,537,522 (2008 - \$3,936,280) relate to work-in-progress at year end.

On December 31, 2009, the Gallery's lease at Enterprise Square expired and the Gallery's leasehold improvements at that location became the property of the landlord. Amortization related to this facility during the year was \$938,827 (2008 - \$924,310) and on termination of the lease both the cost and accumulated amortization were reduced by \$2,552,130. The remaining leasehold improvements relate to the Gallery's operations at the Collection Services Facility which are amortized over the expected term of the lease.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Collection of art:

	2009	2008
Donated objects of art	\$ 12,228,473	\$ 12,228,473
Purchased objects of art	2,325,258	2,325,258
	<u>\$ 14,553,731</u>	<u>\$ 14,553,731</u>

The collection consists of approximately 5,500 objects of art held in the public trust. Donations to the collection during the year included objects of art with an appraised fair market value of \$nil (2008 - \$9,500). There were no disposals during the year (2008 - \$nil).

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

6. Deferred revenue:

	2009	2008
Balance, beginning of year	\$ 360,755	\$ 371,592
Contributions received related to future periods	1,299,087	222,676
Portion recognized as revenue	(117,822)	(233,513)
Balance, end of year	\$ 1,542,020	\$ 360,755

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

	2009	2008
Operating Fund		
Canada Council for the Arts	\$ -	\$ 31,628
Canadian Heritage	125,131	151,944
Alberta Foundation for the Arts	318,440	77,455
Art class, membership fees and prepaid event tickets	252,730	5,229
Sponsorships	280,000	-
Licensing contribution	500,000	-
Other	60,713	89,493
	1,537,014	355,749
Capital Fund		
Edmonton Community Foundation	3,355	3,355
Alberta Provincial Lottery	1,651	1,651
	5,006	5,006
	\$ 1,542,020	\$ 360,755

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

7. Foreign exchange derivative:

During 2009, the Gallery settled all commitments related to the foreign exchange derivative. The current year change in the value of the derivative has been recorded as a foreign exchange derivative loss \$76,432 (2008 – foreign exchange derivative gain of \$208,161) in the Statement of Operations - Capital fund.

8. Holdbacks payable:

During the year, the Gallery released \$1,101,967 (2008 – \$nil) of a total of \$6,639,489 construction related holdbacks leaving a holdbacks payable balance as at December 31, 2009 of \$5,537,522 (2008 – \$3,936,280). Based upon the estimated release date of June 2010, the carrying value of holdbacks payable approximates both the amortized cost and fair value of the holdbacks payable as at December 31, 2009. The effective interest change of \$131,631 during 2009 (2008 - \$87,002) was capitalized to capital work-in-progress.

9. Deferred lease inducement:

The Gallery received a \$300,000 lease inducement in 2006 on the Collection Services Facility. It is being amortized over the initial lease term. The amortization for 2009 of \$36,666 (2008 - \$10,000) reduced the Collection Services Facility rental expenses.

			2009	2008
	Lease Inducement	Accumulated Amortization	Net Book Value	Net Book Value
Collection Services Facility	\$ 300,000	\$ 61,666	\$ 238,334	\$ 275,000

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

10. Externally restricted funds:

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

	2009	2008
Endowment Fund		
Endowments, the income from which is restricted for expenditure on European objects of art	\$ 367,417	\$ 367,417
Endowments, the income from which is restricted for expenditure on Canadian objects of art	621,601	621,601
Endowments, the income from which is restricted for future operations of the Gallery's new building	400,000	400,000
Externally restricted endowment funds	1,389,018	1,389,018
Capital Fund		
Restricted for expenditure on new gallery facility	3,470,126	10,061,787
Restricted for expenditure on other capital assets	5,911	5,911
Restricted for expenditure on Canadian objects of art	630,470	630,470
Restricted for expenditure on European objects of art	638,405	638,405
Externally restricted capital funds	4,744,912	11,336,573
	<u>\$ 6,133,930</u>	<u>\$ 12,725,591</u>

11. Internally restricted funds:

A portion of the investment income from the internally restricted fund endowment may be retained by the Operating Fund in accordance with the Gallery's investment policy, which provides that a maximum of 5% of the internally restricted endowment fund balance may be used for operating purposes at the discretion of the Board of Directors. The excess of investment income over the funds retained by the Operating Fund is transferred to the Endowment Fund and is added to the internally restricted endowment funds held to provide investment income for future purposes determined at the discretion of the Board of Directors. To date, such funds have been held for operating purposes. The investment income exceeding the 5% maximum spending amount in 2009 was \$nil (2008 - \$nil).

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

12. Grants:

				2009	2008
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Alberta Foundation for the Arts	\$ 628,617	\$ -	\$ -	\$ 628,617	\$ 665,046
Alberta Lottery Fund	-	-	10,000,000	10,000,000	21,602,970
City of Edmonton	509,307	-	11,000,000	11,509,307	3,497,553
Canada Council for the Arts	231,628	-	-	231,628	373,086
Western Economic Diversification	-	-	-	-	3,893,372
Other	33,820	-	-	33,820	37,214
	\$ 1,403,372	\$ -	\$ 21,000,000	\$ 22,403,372	\$ 30,069,241

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

13. Investment income:

				2009	2008
	Operating Fund	Endowment Fund	Capital Fund	Total	Total
Investment income:					
Interest	\$ -	\$ -	\$ 30,571	\$ 30,571	\$ 1,200,918
Bissett Investment Management	12,177	-	30,328	42,505	89,156
Edmonton Community Foundation Building Fund	146,241	-	498	146,739	238
Other	-	-	-	-	5,505
	158,418	-	61,397	219,815	1,295,817
Realized investment gains (losses):					
RBC Direct Investing	-	-	(736)	(736)	(12,418)
	-	-	(736)	(736)	(12,418)
Unrealized investment gains (losses):					
Bissett Investment Management	96,450	-	240,199	336,649	(469,893)
Edmonton Community Foundation Building Fund	-	-	2,024	2,024	(4,576)
	96,450	-	242,223	338,673	(474,469)
	\$ 254,868	\$ -	\$ 302,884	\$ 557,752	\$ 808,930

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

14. Commitments:

The Gallery entered into a contract for the construction of the new gallery at a cost of \$67,656,585 (2008 - \$65,557,921) excluding GST. As of December 31, 2009, \$65,886,336 (2008 - \$36,916,400) has been expended against the contract, with an outstanding commitment of \$1,770,249 (2008 -\$28,641,521).

The Gallery is committed under operating leases for the collection services facility until April 30, 2017. In addition there are four, five year renewal terms. The monthly payments are \$9,886 plus operating costs.

The Gallery entered into a lease for the rental of two photocopiers. There are seven quarterly payments of \$3,073 and nine quarterly payments of \$600 remaining.

In the normal course of its operations, the Gallery enters into funding contracts for future exhibitions. During the year the Gallery committed to funding two exhibits to be held in 2010 and 2011.

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

	2010	2011	2012	2013	2014	Thereafter
Collection services facility	\$ 118,632	\$ 118,632	\$ 118,632	\$ 118,632	\$ 118,632	\$ 276,808
Photocopiers	14,692	11,619	600	-	-	-
Exhibitions	97,841	10,000	-	-	-	-
	<u>\$ 231,165</u>	<u>\$ 140,251</u>	<u>\$ 119,232</u>	<u>\$ 118,632</u>	<u>\$ 118,632</u>	<u>\$ 276,808</u>

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

15. 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 and Changes in Fund Balances. Total expenses were \$ 369,399 (2008 - \$345,063).

	2009	2008
Total remuneration paid to employees whose principal duties involve fundraising	\$ 239,801	\$ 276,530
Remuneration paid to fundraising consultants including any expenses or fees paid by the charitable organization on behalf of the fundraising business or as reimbursements to the fundraising consultants	18,434	30,040
Expenses incurred for the purposes of soliciting contributions	111,164	38,493
	<u>\$ 369,399</u>	<u>\$ 345,063</u>

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

16. Grant Funding Commitments for the New Vision Alberta Art Gallery Project:

	Total Committed	Received in 2009	Received in Prior Years	Amount outstanding
City of Edmonton	\$ 21,000,000	\$ 11,000,000	\$ 9,000,000	\$ 1,000,000
Alberta Lottery Fund: Centennial Legacies	15,000,000	-	15,000,000	-
Major Community Facilities Program	12,000,000	-	12,000,000	-
Western Economic Diversification	10,000,000	-	9,945,190	54,810
Building Canada Fund	10,000,000	10,000,000	-	-
	\$ 68,000,000	\$ 21,000,000	\$ 45,945,190	\$ 1,054,810

The Gallery has received pledges of \$2,660,965 from donors for the New Vision capital campaign. Future pledged donations expected to be received by the Gallery are as follows:

	2010	2011	2012	2013	2014	2015	Total
Pledged donations	\$ 1,006,258	\$ 704,373	\$ 422,834	\$ 227,500	\$ 150,000	\$ 150,000	\$ 2,660,965

Subsequent to December 31, 2009, an additional pledge of \$500,000 was received. It is expected to be received over the next four years.

Amounts pledged are recorded as donations revenue in the year the cash is received.

ART GALLERY OF ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2009

17. Credit facilities:

As at December 31, 2009 the Gallery had the following credit facilities:

- \$10,000,000 non-revolving term at prime repayable in full on January 31, 2010, secured by a general security agreement with a first floating charge on land and on all present and after-acquired real property, a first ranking security interest in all personal property of the Gallery, and general assignment of pledge receivables.
- \$1,300,000 revolving at Royal Bank of Canada prime rate secured by a general security agreement.
- \$90,000 revolving at Royal Bank of Canada prime rate plus 1% secured by a general security agreement.

As at December 31, 2009 no credit has been advanced to the Gallery on the credit facilities.

Subsequent to December 31, 2009, with the pending completion of the New Vision project, the Gallery replaced these facilities with the following:

- \$3,400,000 non-revolving term at Royal Bank of Canada prime rate plus 0.5%, with blended annual principal and interest payments of \$912,740 commencing December 31, 2010, repayable in full by December 31, 2014. As of March 12, 2010 the Gallery has drawn \$3,400,000 on this facility.
- \$250,000 revolving loan at Royal Bank of Canada prime rate plus 0.5%. As of March 12, 2010 the Gallery has not drawn on this facility.
- The 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 insurance policy.