

**ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**



BROWNLOW PARTNERS

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Royal Botanical Gardens

Opinion

We have audited the financial statements of Royal Botanical Gardens (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



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As part of the 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 Organization'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 Organization'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 Organization 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.

Ancaster, Ontario
March 30, 2023

Chartered Professional Accountants
Licensed Public Accountants

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

ASSETS

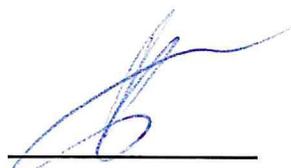
	2022	2021
CURRENT ASSETS		
Cash	\$ 271,562	\$ 610,915
Accounts receivable	815,986	1,284,210
Government remittances receivable	-	120,581
Inventory	324,541	243,397
Prepaid expenses and deposits	361,285	436,046
	<u>1,773,374</u>	<u>2,695,149</u>
INVESTMENTS (note 3)	14,457,679	17,442,204
CAPITAL ASSETS (note 5)	38,638,004	40,378,373
	<u>\$ 54,869,057</u>	<u>\$ 60,515,726</u>

LIABILITIES AND NET ASSETS

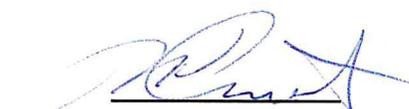
CURRENT LIABILITIES		
Accounts payable	\$ 1,068,868	\$ 1,789,666
Government remittances payable	26,180	-
Deferred revenue	1,174,538	2,306,060
Deferred capital funding	597,325	340,431
Deferred operating contributions (note 6)	5,309,017	6,781,630
	<u>8,175,928</u>	<u>11,217,787</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	37,269,759	39,189,364
	<u>45,445,687</u>	<u>50,407,151</u>
NET ASSETS		
Unrestricted (note 8)	2,958,204	3,180,786
Internally restricted (note 9)	4,045,948	4,551,774
Endowments (note 10)	2,419,218	2,376,015
	<u>9,423,370</u>	<u>10,108,575</u>
	<u>\$ 54,869,057</u>	<u>\$ 60,515,726</u>

Commitments and contingencies (note 11)

Approved by the Board



Director



Director

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUE		
Operating grants		
Ministry of Heritage, Sport, Tourism and Culture Industries	\$ 4,036,060	\$ 4,036,030
City of Hamilton	647,408	647,410
Regional Municipality of Halton	834,912	818,541
Other government support (note 2a(v))	1,526,000	1,101,122
	<u>7,044,380</u>	<u>6,603,103</u>
Admissions, memberships and other program revenue (note 14a)	8,524,624	4,435,858
Mandated activities (note 14b)	1,647,530	1,249,786
Development - donations (note 14c)	1,250,810	1,371,761
Investment income (note 14d)	114,265	386,822
Amortization of deferred capital contributions (note 5)	3,880,689	3,874,741
	<u>22,462,298</u>	<u>17,922,071</u>
EXPENSES		
Admissions, memberships and other program expenses	6,564,586	3,592,773
Maintenance and equipment	3,038,386	2,514,472
Administration	2,524,448	2,305,291
Development fundraising	698,864	695,195
Mandated activities		
Horticulture - gardens, parklands and collections	2,613,407	2,249,226
Conservation and environmental programs	1,076,402	1,067,895
Scientific and research programs	468,075	411,661
Education programs	1,271,237	1,093,451
Amortization of capital assets (note 5)	3,880,689	3,874,741
	<u>22,136,094</u>	<u>17,804,705</u>
EXCESS OF REVENUE OVER EXPENSES FOR OPERATIONS	326,204	117,366
Change in unrealized gain (loss) on investments	(473,111)	291,642
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (146,907)</u>	<u>\$ 409,008</u>

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Unrestricted (note 8)	Internally restricted (note 9)	Endowments (note 10)	Total 2022	Total 2021
NET ASSETS, BEGINNING OF THE YEAR	\$ 3,180,786	\$ 4,551,774	\$ 2,376,015	\$ 10,108,575	\$ 9,284,019
Excess of revenue over expenses for operations	326,204	-	-	326,204	117,366
Endowment contributions	-	-	24,271	24,271	1,500
Amortization of investment in capital assets	(75,675)	-	-	(75,675)	(19,702)
Investment income allocations	-	111,085	18,932	130,017	263,482
Change in unrealized gain (loss) on investments	(473,111)	(616,911)	-	(1,090,022)	461,910
NET ASSETS, END OF THE YEAR	\$ 2,958,204	\$ 4,045,948	\$ 2,419,218	\$ 9,423,370	\$ 10,108,575

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ (146,907)	\$ 409,008
Adjustments for:		
- amortization of deferred capital contributions	(3,805,014)	(3,855,039)
- amortization of investment in capital assets	(75,675)	(19,702)
- deferred operating contributions recognized as revenue	(189,265)	(69,545)
- amortization of capital assets	3,880,689	3,874,741
- change in unrealized gain on investments	473,111	(291,642)
	136,939	47,821
Net changes in non-cash working capital balances from operations	(986,822)	807,370
Cash provided by (used in) operating activities	(849,883)	855,191
INVESTING ACTIVITIES		
Acquisition of capital assets	(2,140,320)	(3,302,858)
Increase in endowments	43,203	20,061
Allocated investment income to internally restricted net assets	111,085	244,921
Deferred operating contributions and allocated investment income	268,678	534,998
Capital contributions used during the year	1,885,409	3,006,982
Decrease (increase) in cost of investments	342,475	(1,362,100)
Cash provided by (used in) investing activities	510,530	(857,996)
DECREASE IN CASH DURING THE YEAR	(339,353)	(2,805)
CASH AT BEGINNING OF THE YEAR	610,915	613,720
CASH AT END OF THE YEAR	\$ 271,562	\$ 610,915

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. DESCRIPTION

Royal Botanical Gardens (the "RBG") is one of Canada's premier cultural, educational and scientific institutions, comprised of more than 1,100 hectares of horticultural display gardens, arboretum, woodlands, wetlands and 30 kilometres of trails. The RBG receives transfer payments from the Ontario Ministry of Heritage, Sport, Tourism and Culture Industries and receives additional support from the City of Hamilton (the "City"), the Regional Municipality of Halton, the RBG members, many corporations, foundations and individuals.

The RBG 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 Accounting Standards for Not-for-Profit Organizations applied within the framework of the significant accounting policies summarized below:

(a) Revenue Recognition

- (i) Grants are recorded as revenue when the related expenses have been incurred and the applications for the grants have been approved by the relevant government agencies. Grants received in advance of incurring the related expenses are included on the statement of financial position as deferred revenue.
- (ii) Unrestricted donations, admission fees, membership fees, other program fees, event revenue, food and beverage revenue, rental revenue and garden shop revenue are recognized as revenue in the year in which they are received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are incurred.
- (iii) Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related assets. Externally restricted contributions for non-depreciable capital assets are recorded as a direct increase in unrestricted net assets. Externally restricted capital asset contributions that have not been spent are recorded as part of deferred capital funding on the statement of financial position.

Self-funded contributions for depreciable capital assets are deferred and amortized over the life of the related assets. Self-funded capital asset contributions that have not been expended are recorded as part of net assets invested in capital assets on the statement of financial position.
- (iv) Endowment contributions are recognized as a direct increase in endowment net assets in the year in which they are received.
- (v) Government assistance is recognized as revenue when the RBG has complied with the terms and conditions of the applicable legislation. During the year, the Organization received an emergency stabilization grant from the Ministry of Heritage, Sport, Tourism and Culture Industries in the amount of \$1,526,000 (2021: nil). During the year, the RBG did not receive any assistance relating to the Canada Emergency Wage Subsidy (2021: \$1,101,122).

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Contributed Services

Volunteers contribute numerous hours per year to assist RBG in carrying out its activities. Due to the difficulty in determining their fair value, contributed services have not been recognized in the financial statements.

(c) Donations In-Kind

Donations in-kind are recorded at the estimated fair market value at the date of donation. The RBG did not receive any donations in-kind during the year (2021: \$95,873).

(d) Measurement of Financial Instruments

The RBG initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The RBG subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments as described in note 2(e).

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable. The RBG has designated all portfolio investments to be measured at fair value as described in note 2(e).

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(e) Investments

All investments are recorded at fair value. The quoted market price was used to estimate the fair value of the financial instruments held as investments.

Investment income, net of investment management fees, is allocated to the restricted deferred funds and statement of operations on a prorated basis. The ratio of total endowments, internally restricted net assets and deferred operating contributions at the beginning of the month divided by the total average investment cost for the month is calculated. This ratio is then applied to the total net investment income earned for the month to determine the amount of investment income to apply to the deferred operating contributions, internally restricted net assets and endowments. Remaining unallocated net investment income is recorded in the statement of operations.

Unrealized gains and losses on investments are allocated to the restricted deferred funds and unrestricted net assets on a prorated basis. The ratio, described above, is applied to the total unrealized gains and losses at month end to determine the amount of unrealized gains and losses to apply to the deferred operating contributions, internally restricted net assets and endowments. Remaining unallocated unrealized gains and losses are included in unrestricted net assets. The change in unrestricted unrealized gains and losses are recorded in the statement of operations. When investments are sold, realized gains and losses are recognized in investment income.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Inventory

Inventory, consisting of food and beverage and items available for sale in the RBG gift shop, is valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Included in admissions, memberships and other program expenses is \$1,266,591 (2021: \$510,471) of inventory expensed during the year.

(g) Capital Assets

Capital assets are recorded at cost, except for donated assets, which are recorded at fair market value at the date of contribution. The fair market value of previously donated land could not be determined and therefore, the total 1,100 hectares of land have been recorded at a nominal value of \$9,428.

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

Buildings	40 years
Mechanical equipment	20 years
Gardens and natural area infrastructures	20 years
Roadways and parking lots	20 years
Vehicles and equipment	5 years
Furniture and fixtures	10 years
Computer equipment	3 years
Software	5 years
Media stock	5 years
Exhibits	3 years

Contributed capital assets are recognized at the fair value at the date of contribution. The contribution is recognized as revenue on the same basis as the amortization expense of the contributed capital asset.

When a capital asset no longer has any long term service potential to the RBG, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the useful lives of capital assets, allowances for inventory obsolescence, allowances for doubtful accounts and accruals. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. INVESTMENTS

The investments consist of funds that are professionally managed, diversified and are invested in the following categories: cash and near cash securities, fixed income securities and equity securities.

		2022		2021
Cost of investments at December 31	\$	13,263,872	\$	13,606,347
Unrealized gain on investments		1,193,807		3,835,857
Market value of investments at December 31	\$	14,457,679	\$	17,442,204

Investments are valued at market as at yearend and are composed of the following types of securities:

Cash, cash equivalents and accrued interest	\$	928,659	\$	1,188,978
Fixed income securities		4,991,271		5,648,087
Equity securities		8,537,749		10,605,139
	\$	14,457,679	\$	17,442,204

4. DEMAND LOAN

The RBG has the following facilities available:

- Credit facility #1 & #2 - Shared authorization up to \$2,000,000. Facility #1 - Revolving loan to provide bridge financing for general capital requirements. Interest rate is determined at the time of borrowing. Repayable in full on the maturity date determined at the time of borrowing, to maximum term of one year. As at December 31, 2022, the facility was not drawn upon (2021: not drawn). Facility #2 - Non-revolving demand loan to provide bridge financing for general capital requirements. The facility bears interest at prime plus 0.75%. Repayment terms are determined at time of borrowing. As at December 31, 2022, the facility was not drawn upon (2021: not drawn).
- Credit facility #3 - Overdraft lending account up to \$2,000,000 for general operating requirements. The facility bears interest at prime plus 0.5%. Repayable on demand. As at December 31, 2022, the facility was not drawn upon (2021: not drawn).

Security for the facilities includes the following:

- General Security Agreement providing a first charge over all accounts receivable, inventory and equipment other than leased assets, land and buildings, plants, living collections, library artifacts, patents and investments;
- Bank to be named as loss payee on business and fire insurance;
- Signed Environmental Review Checklist and Indemnity Agreement;
- Assignment and pledge of investment portfolio registered in Ontario under the Personal Property Security Act (PPSA) with enabling resolution. The market value of the investment portfolio pledged as collateral at December 31, 2022 is \$4,201,198 (2021: \$4,659,364), which are included with investments on the statement of financial position;

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. DEMAND LOAN (CONT'D)

Security for the facilities includes the following:

- Solicitor's Letter of Opinion together with a Conflict of Interest Letter from the Solicitor confirming the Bank has good and valid assignment of the funds;
- Letter of acknowledgement confirming that existing pledged investment portfolio continues to contain no trust funds or otherwise restricted funds; and
- Letter of acknowledgement that moving funds in and/or out of the pledged investment portfolio is allowed subject to bank prior approval and the minimum lending value of the pledged investment portfolio has to be equal or more than the outstanding loan balance.

5. CAPITAL ASSETS

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

	2022	2021
Balance, beginning of the year	\$ 40,378,373	\$ 40,950,256
Purchase of capital assets funded by deferred capital contributions	1,864,085	3,004,952
Purchase of internally funded capital assets	276,235	297,906
Amortization of capital assets	(3,880,689)	(3,874,741)
Balance, end of the year	\$ 38,638,004	\$ 40,378,373

Amortization of capital assets agrees to amortization of deferred capital contributions of \$3,805,014 (2021: \$3,855,039) and amortization of investment in capital assets of \$75,675 (2021: \$19,702), which has been recognized as revenue during the year.

Capital assets consist of the following:

	2022		2021	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 876,681	\$ -	\$ 876,681	\$ 876,681
Buildings	33,886,294	18,169,698	15,716,596	16,563,754
Mechanical equipment	7,618,072	4,021,450	3,596,622	3,765,066
Gardens and natural area infrastructures	27,914,701	12,634,398	15,280,303	16,080,553
Roadways and parking lots	4,927,934	3,172,777	1,755,157	1,855,590
Vehicles and equipment	4,920,791	4,515,921	404,870	252,941
Furniture and fixtures	4,067,335	3,499,850	567,485	712,445
Computer equipment	2,858,299	2,606,397	251,902	271,343
Software	209,320	20,932	188,388	-
Media stock	252,244	252,244	-	-
Exhibits	985,806	985,806	-	-
	\$ 88,517,477	\$ 49,879,473	\$ 38,638,004	\$ 40,378,373

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. DEFERRED OPERATING CONTRIBUTIONS

The change in deferred operating contributions is due to the following:

	2022	2021
Balance, beginning of the year	\$ 6,781,630	\$ 5,921,939
Contributions received from corporate and private sources	7,804	1,500
Amount drawn from funds during the year	(189,265)	(69,545)
Investment income allocation	153,848	275,813
Restricted investment income earned on endowments	107,026	257,685
Change in market value of investments	(1,552,026)	394,238
Balance, end of the year	\$ 5,309,017	\$ 6,781,630

Deferred operating contributions consist of the following major external restrictions:

	2022	2021
Operations	\$ 73,503	\$ 128,373
Gardens and natural lands	3,225,589	3,866,449
Collections	399,348	522,742
Science and education	938,408	1,318,306
Staffing and administration	672,169	945,760
Total	\$ 5,309,017	\$ 6,781,630

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2022	2021
Balance, beginning of the year	\$ 39,189,364	\$ 40,037,421
Capital contributions used during the year	1,885,409	3,006,982
Amortization of deferred capital contributions	(3,805,014)	(3,855,039)
Balance, end of the year	\$ 37,269,759	\$ 39,189,364

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

	Unrestricted	Invested in capital assets	Total
Balance, beginning of the year	\$ 2,860,472	\$ 320,314	\$ 3,180,786
Excess of revenues over expenses for operations	326,204	-	326,204
Purchase of internally funded capital assets	(276,235)	276,235	-
Amortization of investment in capital assets	-	(75,675)	(75,675)
Funds received relating to prior years' internally funded capital assets	21,325	(21,325)	-
Change in unrealized gain on investments	(473,111)	-	(473,111)
Balance, end of the year	\$ 2,458,655	\$ 499,549	\$ 2,958,204

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. INTERNALLY RESTRICTED NET ASSETS

During the 2020 fiscal year, the RBG received an unrestricted estate donation in the amount of \$905,630. The donation was internally restricted by the RBG. The RBG Board will approve the use of these funds. During the year, no amounts were drawn from the internally restricted net assets (2021: no amounts). Internally restricted net assets consist of the following major internal restrictions:

	2022	2021
Maintaining garden areas and strategic initiatives	\$ 3,140,318	\$ 3,646,144
COVID-19 recovery	905,630	905,630
	<u>\$ 4,045,948</u>	<u>\$ 4,551,774</u>

10. ENDOWMENTS

Contributions restricted for endowments consist of donations received by the RBG where the endowment principal is required to remain intact. Accordingly, these amounts are classified as long term investments. The investment income generated from the endowments must be used in accordance with the purposes established by donors.

	2022	2021
Balance, beginning of the year	\$ 2,376,015	\$ 2,355,954
Endowments received from private sources	24,271	1,500
Investment income required to be held as endowment	18,932	18,561
	<u>\$ 2,419,218</u>	<u>\$ 2,376,015</u>

11. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the RBG may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the RBG.

12. RECLASSIFICATION

Certain 2021 comparative amounts were reclassified to conform to the current year's financial statement presentation.

13. PRIOR YEAR COMPARATIVES

Due to the impacts of the COVID-19 global pandemic during the fiscal years 2020 and 2021, fiscal year 2019 is a more accurate comparative year when assessing changes in attendance and financial performance.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. REVENUE

	2022	2021
Admissions, memberships and other program revenue consists of:		
Admissions and special events	\$ 1,976,341	\$ 1,115,198
Membership fees	1,492,750	1,192,609
Rentals	764,334	394,841
Food and beverage	2,842,274	666,279
Garden shop sales	1,109,981	604,596
Parking	295,054	410,565
Other income	43,890	51,770
a) Total admissions, memberships and other programs	\$ 8,524,624	\$ 4,435,858
Mandated activities consists of:		
Horticulture - gardens, parklands and collections	\$ 40,141	\$ 59,398
Conservation and environmental programs	564,711	399,828
Scientific and research programs	141,773	127,461
Education programs	900,905	663,099
b) Total mandated activities	\$ 1,647,530	\$ 1,249,786
Donations and grants received during the year	\$ 2,593,048	\$ 2,289,733
Add:		
Restricted donations received in the prior year recognized into development - donations revenue	74,168	222,433
Less:		
Grants deferred and recognized into mandated activities revenue once qualifying expenses incurred	(933,115)	(1,022,208)
Green Angel donations recognized in deferred revenue	(108,744)	(62,328)
Restricted donations recognized in deferred revenue	(363,582)	(31,488)
Restricted donations recognized in deferred operating contributions and endowments	(3,000)	(3,000)
Restricted donations recognized in deferred capital contributions	(7,965)	(21,381)
c) Total development - donations	\$ 1,250,810	\$ 1,371,761
Investment income earned during the year	\$ 597,355	\$ 1,278,153
Less: Investment management fees	(92,199)	(94,351)
Net investment funds available for allocation	505,156	1,183,802
Allocation to deferred operating contributions	(260,874)	(533,498)
Allocation to internally restricted net assets	(111,085)	(244,921)
Allocation to endowments	(18,932)	(18,561)
d) Total investment income	\$ 114,265	\$ 386,822

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15. FINANCIAL INSTRUMENTS

Risks and Concentrations

The RBG is exposed to various risks through its financial instruments. The following analysis provides a measure of the RBG's risk exposure and concentrations at December 31, 2022.

(a) Liquidity Risk

Liquidity risk is the risk that the RBG will encounter difficulty in meeting obligations associated with financial liabilities. The RBG is exposed to this risk mainly in respect of its accounts payable. The RBG's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The RBG achieves this by maintaining sufficient cash and cash equivalents. This risk has not changed from the prior year.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The RBG's main credit risks relate to its accounts receivable. The RBG provides credit to its clients in the normal course of its operations. This risk has not changed from the prior year.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The RBG is exposed to currency risk and other price risk. This risk has not changed from the prior year.

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some of the RBG's assets are exposed to foreign exchange fluctuations. As at December 31, 2022, bank indebtedness of \$45,158 (2021: \$26,331) is recorded in US dollars and converted into Canadian dollars. Approximately 35% (2021: 39%) of the RBG's investments are held in US dollars and converted into Canadian dollars.

(ii) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The RBG is exposed to other price risk due to a substantial portion of its assets being held in investments, which are susceptible to fluctuations in market values. To manage this risk, RBG management and the Board of Directors reviews its investment strategies at least annually with the RBG's investment advisor.

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15. FINANCIAL INSTRUMENTS (CONT'D)

(d) Inflationary Risk

The RBG is significantly impacted by current inflation rates and its impact on supplies and materials, food and beverage costs, utilities, labour and the procurement of capital assets. To manage this risk, RBG management employs a number of tactics including monitoring trends and incorporating economic forecasts in the development of the business plan and budget, monthly review of operating budgets and reprioritization of deliverables, changing the scope of programs or capital projects to reflect increased costs and adjusting pricing specifically for ticketed programs and food services.