

Art Gallery of Hamilton

Financial Statements

December 31, 2023



June 25, 2024

Independent Auditor's Report

To the Board of Directors of Art Gallery of Hamilton

Opinion

We have audited the financial statements of Art Gallery of Hamilton (the "Organization"), which comprise the statement of financial position as at December 31, 2023, 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, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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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Independent Auditor's Report, continued

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 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.

Pettinelli Mastrolucchi LLP

Chartered Professional Accountants
Licensed Public Accountants

Hamilton, Ontario

Art Gallery of Hamilton


Statement of Financial Position

	December 31	
	2023	2022
Assets		
Current assets		
Accounts receivable	\$ 489,718	\$ 270,254
Prepaid expenses	106,230	243,079
Inventory (Note 2)	96,812	103,756
Restricted investments (Note 3)	<u>2,987,126</u>	<u>3,692,735</u>
	3,679,886	4,309,824
Permanent collection - works of art (Note 4)	1	1
Capital assets (Note 5)	<u>10,558,714</u>	<u>10,607,008</u>
	<u>\$ 14,238,601</u>	<u>\$ 14,916,833</u>
Liabilities		
Current liabilities		
Bank indebtedness (Note 6)	\$ 544,907	\$ 434,938
Accounts payable and accrued liabilities (Note 7)	561,990	702,099
Deferred revenue (Note 8)	755,758	830,698
Event deposits	101,184	87,984
Bank loans (Note 9)	<u>348,050</u>	<u>384,741</u>
	2,311,889	2,440,460
Deferred capital contributions (Note 10)	<u>9,441,741</u>	<u>9,372,458</u>
	<u>11,753,630</u>	<u>11,812,918</u>
Net assets		
Unrestricted	(401,315)	(812,029)
Externally Restricted Endowment	111,617	111,617
Invested in Capital Assets	1,116,973	1,234,550
Board Restricted	<u>1,657,696</u>	<u>2,569,777</u>
	2,484,971	3,103,915
	<u>\$ 14,238,601</u>	<u>\$ 14,916,833</u>


Commitments (Note 11)

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:



Director



Director

Art Gallery of Hamilton**Statement of Operations**

	Year ended December 31	
	2023	2022
Revenues		
Earned revenue (Note 13)	\$ 2,646,756	\$ 2,731,389
Grants (Note 14)	2,609,087	2,714,408
Donations	1,019,039	962,225
Investment income, net (Notes 3 and 15)	435,733	41,250
Artwork acquisition revenue (Note 4)	5,151	60,294
	<u>6,715,766</u>	<u>6,509,566</u>
Expenditures		
Wages and benefits	3,010,543	2,895,502
Cost of earned revenue (Note 16)	1,336,986	1,362,282
Programming and acquisition costs	1,195,734	878,077
Utilities, building insurance and maintenance	610,203	559,215
Security	404,619	385,837
Office, administrative and miscellaneous	368,318	413,502
Marketing and communications	184,713	257,681
	<u>7,111,116</u>	<u>6,752,096</u>
Deficiency of revenues over expenditures from operations	<u>(395,350)</u>	<u>(242,530)</u>
Other income (expense)		
Amortization of deferred capital contributions	660,352	619,372
Amortization	(883,946)	(832,784)
	<u>(223,594)</u>	<u>(213,412)</u>
Deficiency of revenues over expenditures for the year	<u>\$ (618,944)</u>	<u>\$ (455,942)</u>

See accompanying notes to the financial statements.

Art Gallery of Hamilton**Statement of Changes in Net Assets**

Year ended December 31 2023

	Unrestricted	Externally Restricted Endowment	Invested in Capital Assets	Board Restricted	Total
Balance at beginning of the year	\$ (812,029)	\$ 111,617	\$ 1,234,550	\$ 2,569,777	\$ 3,103,915
Deficiency of revenues over expenditures	(395,350)	-	(223,594)	-	(618,944)
Investment in capital assets (Note 17)	(106,017)	-	106,017	-	-
Interfund transfer (Note 18)	<u>912,081</u>	<u>-</u>	<u>-</u>	<u>(912,081)</u>	<u>-</u>
Balance at end of the year	<u>\$ (401,315)</u>	<u>\$ 111,617</u>	<u>\$ 1,116,973</u>	<u>\$ 1,657,696</u>	<u>\$ 2,484,971</u>

Year ended December 31 2022

	Unrestricted	Externally Restricted Endowment	Invested in Capital Assets	Board Restricted	Total
Balance at beginning of the year	\$ (332,044)	\$ 111,617	\$ 1,285,467	\$ 2,494,817	\$ 3,559,857
Deficiency of revenues over expenditures	(242,530)	-	(213,412)	-	(455,942)
Investment in capital assets (Note 17)	(162,495)	-	162,495	-	-
Interfund transfer (Note 18)	<u>(74,960)</u>	<u>-</u>	<u>-</u>	<u>74,960</u>	<u>-</u>
Balance at end of the year	<u>\$ (812,029)</u>	<u>\$ 111,617</u>	<u>\$ 1,234,550</u>	<u>\$ 2,569,777</u>	<u>\$ 3,103,915</u>

See accompanying notes to the financial statements.

Art Gallery of Hamilton

Statement of Cash Flows

	Year ended December 31	
	2023	2022
Cash flows from (used in) operating activities		
Deficiency of revenues over expenditures for the year	\$ (618,944)	\$ (455,942)
Items not involving cash		
Amortization	883,946	832,784
Amortization of deferred capital contributions	(660,352)	(619,372)
Change in fair value of investments	(175,904)	308,071
	<u>(571,254)</u>	<u>65,541</u>
Net change in non-cash operating working capital balances		
(Increase) decrease in accounts receivable	(219,464)	550
Decrease in prepaid expenses	136,849	91,403
Decrease in inventory	6,944	9,437
(Decrease) increase in accounts payable and accrued liabilities	(140,108)	25,021
Decrease in deferred revenue	(74,940)	(159,342)
Increase (decrease) in event deposits	13,200	(50,017)
	<u>(277,519)</u>	<u>(82,948)</u>
	<u>(848,773)</u>	<u>(17,407)</u>
Cash flows from (used in) investing activities		
Purchase of investments	(447,781)	(618,499)
Proceeds on disposal of investments	1,392,803	832,319
Purchase of capital assets	(835,652)	(252,495)
Reinvested investment income	(63,510)	(99,370)
Receipt of deferred capital contributions	729,635	90,000
	<u>775,495</u>	<u>(48,045)</u>
Cash flows from (used in) financing activities		
Bank indebtedness, net	109,969	128,120
Repayment of bank loans	(36,691)	(62,668)
	<u>73,278</u>	<u>65,452</u>
Net increase in cash during the year	-	-
Cash at beginning of the year	-	-
Cash at end of the year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

Nature of operations

Art Gallery of Hamilton (the "Organization") was founded in 1914 and holds its collection of works of art in trust for the people of Hamilton and Canada with a mandate to collect, preserve, exhibit, and interpret works of art for the community. As a public resource it conserves and communicates Canada's artistic, cultural and social heritage, and explores contemporary and historical art within local, national, and international contexts. The Organization houses eighteen exhibition spaces including several multi-use spaces for educational, programming and event purposes.

The Organization is a registered Canadian charity and is exempt from payment of income taxes as provided under the Income Tax Act.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The Organization's significant accounting policies are as follows:

Cash / Bank indebtedness

Cash / Bank indebtedness includes cash on hand and held with financial institutions, net of outstanding cheques and deposits. Balances that fluctuate from positive to overdrawn are shown as cash or bank indebtedness depending on the accounts' net position at year-end.

Investments

Investments are recorded at their fair value. Investment income consists of interest, dividends and net change in unrealized gains and losses, and is recognized when declared, earned or received.

Inventory

Inventory is comprised of gift items, catalogues, books, jewelry, glassware, pottery, stationery and liquor. Inventory is valued at the lower of cost and net realizable value with cost determined substantially on a first-in, first-out basis.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Capital assets

Capital assets are recorded at cost, less accumulated amortization. Contributions of capital assets are capitalized at fair value at the date of contribution. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings and building improvements	10 to 40 years
Equipment and furnishings	10 years
Computer equipment	3 years

Capital assets under development or not yet in use are not subject to amortization. Upon substantial completion, the capital assets will be amortized at a method and rate designed to amortize the cost of the assets over their estimated useful lives.

Expenditures for maintenance and repairs are charged to deficiency of revenues over expenditures as incurred.

The Organization reviews its capital assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss, if any, is the excess of carrying value over its fair value.

Works of art

In conformity with accounting policies followed by art galleries and other organizations in possession of collections, the value of works of art may be excluded from the statement of financial position, except for a nominal carrying value. The Organization has chosen to carry a nominal value of \$1 to represent its works of art. The disbursements for purchased additions are reflected in the statement of operations as the excess cost over nominal value recognized.

The costs associated with the contributed works, including appraisal fees, shipping costs and storage fees are reported as programming and acquisition costs and are recognized when the deed of the gift is signed and the appraisal completed. Reimbursement of these costs by the donor is reported as artwork acquisition revenue.

Contributed services

Volunteers contribute their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements. The notes to the financial statements include disclosure of the estimated number of recorded volunteer hours along with a corresponding estimated value.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include donations and grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Investment income earned on endowments is reported in the statement of operations and is used in accordance with the purposes established by the donors.

Annual membership and admission fees are included in operating revenue as received. Earned revenue is recognized when the service has been performed and collection is reasonably assured.

Externally restricted contributions for capital assets subject to amortization are deferred and amortized over the life of the related capital asset. Externally restricted capital asset contributions that have not been expended are recorded as deferred capital contributions on the statement of financial position.

Board Restricted net assets

The balance of Board Restricted net assets represents the minimum internally restricted net amount required by the board of directors within the terms of the Endowment Fund Trust Deed. In addition, funds from the sale of artwork are restricted to purchase more artwork and to maintain the collection. Internally restricted funds must be used at the discretion of the board of directors.

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 and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the year. Significant items subject to estimates and assumptions include the valuation of accounts receivable and the useful lives of capital assets. Actual results could differ from those estimates.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated and exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost. The cost of the financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of a financial asset or liability in a related party transaction that has payment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, its cost is determined using the consideration transferred or received by the Organization in the transaction.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in deficiency of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and bank loans.

The Organization has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in deficiency of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 deficiency of revenues over expenditures.

Art Gallery of Hamilton**Notes to Financial Statements****December 31, 2023**

1. Significant accounting policies, continued**Financial instruments, continued****(iii) Transaction costs**

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in deficiency of revenues over expenditures in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in deficiency of revenues over expenditures over the life of the instrument using the straight-line method.

2. Inventory

The amount of inventory included in cost of earned revenue is \$285,043 (2022 - \$308,365).

3. Restricted investments

Restricted investments comprise units of various pooled funds and guaranteed investment certificates. Investment amounts are restricted for specific use in future periods on both internally and externally restricted activities.

	December 31 2023		December 31 2022	
	Market	Cost	Market	Cost
Cash and equivalents	\$ 616,205	\$ 616,205	\$ 168,497	\$ 168,487
Guaranteed investment certificates	614,307	614,307	1,008,178	1,008,178
Fixed income securities	418,810	453,535	618,728	691,659
Other structured securities	358,368	371,556	595,922	664,291
Equity instruments	979,436	788,575	1,301,411	1,193,085
	<u>\$ 2,987,126</u>	<u>\$ 2,844,178</u>	<u>\$ 3,692,735</u>	<u>\$ 3,725,701</u>

Guaranteed investment certificates bear interest between 5.10% and 5.57% with maturity dates ranging from March 2024 to October 2024.

Included in investment income on the statement of operations is an unrealized gain of \$175,904 (2022 - \$308,071 loss) related to the change in the fair market value of the investments during the fiscal year.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

4. Permanent collection - works of art

As at December 31, 2023, the permanent collection consisted of approximately 11,270 works of art. Contributions to the collection in the year included 89 (2022 - 70) works of art, independently appraised at a fair value of \$272,758 (2022 - \$616,475). Reimbursement by donors for related direct expenditures such as appraisal fees, shipping costs and storage fees totaled \$5,151 (2022 - \$60,294) and have been recorded as artwork acquisition revenue in the statement of operations.

During the year the Organization acquired five (2022 - 25) works of art at an excess cost over nominal value of \$213,600 (2022 - \$113,560) which is included in programming and acquisition costs in the statement of operations.

5. Capital assets

			December 31	
			2023	2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and building improvements	\$ 25,293,233	\$ 15,475,083	\$ 9,818,150	\$ 9,894,001
Equipment and furnishings	2,036,698	1,302,605	734,093	669,166
Computer equipment	124,586	118,115	6,471	43,841
	<u>\$ 27,454,517</u>	<u>\$ 16,895,803</u>	<u>\$ 10,558,714</u>	<u>\$ 10,607,008</u>

6. Bank indebtedness

The Organization has secured a revolving line of credit with a maximum borrowings under the agreement of \$650,000 (2022 - \$650,000). Interest on any borrowings is calculated at the bank's prime rate. As at December 31, 2023, the outstanding balance on the line of credit was \$544,907 (2022 - \$434,938). See Note 9 for related security on the facility.

7. Accounts payable and accrued liabilities

Government remittances consist of sales taxes payable which are recognized when the amounts become due. In respect of government remittances \$Nil (2022 - \$9,574) was included in accounts payable and accrued liabilities as at the year-end date.

8. Deferred revenue

Deferred revenue represents externally restricted grants and donations for specifically restricted purposes for which expenditure has not yet been made. Included in the deferred revenue balance are advanced payments from the Ontario Arts Council of \$220,165 (2022 - \$220,165) to be applied against expenditures in the following year.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

9. Bank loans

	December 31	
	2023	2022
Demand loan, prime rate, repayable in monthly instalments of \$1,041	\$ 135,333	\$ 147,825
Demand loan, prime plus 0.5%, repayable in monthly instalments of \$1,039	109,103	121,572
Demand loan, prime rate, repayable in monthly instalments of \$977	<u>103,614</u>	<u>115,344</u>
	<u>\$ 348,050</u>	<u>\$ 384,741</u>
Estimated principal repayments are as follows:		
2024	\$ 36,691	
2025	36,691	
2026	36,691	
2027	36,691	
2028	36,691	
Subsequent years	<u>164,595</u>	
	<u>\$ 348,050</u>	

The above loans, including the line of credit facility in Note 6, are secured by guaranteed investment certificates. These certificates are included in the balance of the restricted investments.

Art Gallery of Hamilton**Notes to Financial Statements****December 31, 2023**

10. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations on a straight-line basis over 10 to 40 years for the building and building improvements, and 10 years for equipment and furnishings. The change in the balance of deferred capital contributions was as follows:

	December 31	
	2023	2022
Balance at beginning of the year	\$ 9,372,458	\$ 9,901,830
Add: Capital contributions received during the year	729,635	90,000
Less: Amortization of deferred capital contributions	<u>(660,352)</u>	<u>(619,372)</u>
Balance at end of the year	<u>\$ 9,441,741</u>	<u>\$ 9,372,458</u>

11. Commitments

The Organization is committed to annual lease payments under various operating leases for office and maintenance contracts as follows:

2024	\$ 504,023
2025	468,355
2026	414,613
2027	<u>3,451</u>
	<u>\$ 1,390,442</u>

12. Settlement of contingent liability

As disclosed in the previous year's audited financial statements, the Organization was in dispute regarding certain additional monthly utility costs. It has since been resolved with the City of Hamilton through the recommendation of the General Issues Committee on December 6, 2023 that any outstanding balances owed by the Organization in connection with these additional charges would no longer be applicable and that the City of Hamilton will waive and write-off the related balances. The total written-off amount by the City of Hamilton and waived utility charges was \$633,872. There is no impact to the current year's financial statements related to these waived charges as no additional amount was previously accrued as a liability or expenditure.

Art Gallery of Hamilton**Notes to Financial Statements****December 31, 2023**

13. Earned revenue

	December 31	
	2023	2022
Client events	\$ 1,555,642	\$ 1,617,742
Retail and art sales	485,146	652,056
Educational programs	207,133	167,308
Admission and other	181,767	66,678
Fundraising	143,396	135,880
Memberships	73,672	91,725
	<u>\$ 2,646,756</u>	<u>\$ 2,731,389</u>

14. Grant revenue

Included in grant revenue are the following amounts which have met the requirements in the terms and conditions of the related grant applications:

	December 31	
	2023	2022
City of Hamilton - City Enrichment Fund	\$ 1,000,000	\$ 1,000,000
Canada Council for the Arts	347,600	347,600
Ontario Arts Council	<u>220,165</u>	<u>220,165</u>
Operating grant revenue	<u>1,567,765</u>	<u>1,567,765</u>
All other project grant revenue	594,170	711,188
Department of Canadian Heritage	237,152	42,680
Canada Council for the Arts	180,000	89,600
Ontario Arts Council	30,000	234,837
Government of Canada - Tourism Hospitality Recovery program	<u>-</u>	<u>68,338</u>
Special projects funding revenue	<u>1,041,322</u>	<u>1,146,643</u>
Total grants revenue	<u>\$ 2,609,087</u>	<u>\$ 2,714,408</u>

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

15. Endowments

Each year, when available, the Organization receives income from the funds held for its benefit and this income is to be used for operating purposes. Included in investment income are distributions from endowment funds which have been established and are maintained by third party foundations. The funds held by the foundations are not reflected in these financial statements.

(i) Hamilton Community Foundation

In 2002, the Organization established a program with the Hamilton Community Foundation (HCF) whereby a separate trust was established and is maintained by HCF. In 2023, the Organization received \$20,333 (2022 - \$61,477) income distributions from the HCF which are included in investment income on the statement of operations. As at December 31, 2023, the fair value of the funds being held by the HCF for the benefit of the Organization was \$288,587 (2022 - \$277,271).

(ii) Ontario Arts Foundation

In 1999, the Province of Ontario established the Arts Endowment Program within the Ontario Arts Foundation (OAF) whereby for each participating arts organization, a separate trust was established and is maintained by the OAF. In 2023, the Organization received \$175,987 (2022 - \$188,474) in income distributions from the OAF which are included in investment income on the statement of operations. As at December 31, 2023, the fair value of the funds being held by the OAF for the benefit of the Organization was \$3,834,995 (2022 - \$3,446,635).

16. Cost of earned revenue

	December 31	
	2023	2022
Cost of catered events	\$ 861,377	\$ 864,884
Retail costs	295,561	337,075
Fundraising	85,180	84,864
Supplies and rentals	67,351	49,007
Business development	27,517	26,452
	<u>\$ 1,336,986</u>	<u>\$ 1,362,282</u>

Art Gallery of Hamilton**Notes to Financial Statements****December 31, 2023**

17. Invested in Capital Assets

Invested in Capital Assets consists of the following:

	December 31	
	2023	2022
Capital assets	\$ 10,558,714	\$ 10,607,008
Less: Amounts financed by deferred capital contributions	<u>(9,441,741)</u>	<u>(9,372,458)</u>
	<u>\$ 1,116,973</u>	<u>\$ 1,234,550</u>

Change in Investment in Capital Assets is calculated as follows:

	December 31	
	2023	2022
Balance at beginning of the year	\$ 1,234,550	\$ 1,285,467
Add: Amortization of deferred capital contributions	660,352	619,372
Add: Purchase of capital assets	835,652	252,495
Less: Capital contributions received during the year	(729,635)	(90,000)
Less: Amortization of capital assets	<u>(883,946)</u>	<u>(832,784)</u>
Balance at end of the year	<u>\$ 1,116,973</u>	<u>\$ 1,234,550</u>

18. Fund transfers

During the year, the Board approved net transfers of \$912,081 (2022 - \$74,960) from the Board Restricted fund to the Unrestricted fund to support its ongoing operating and strategic initiatives.

19. Contributed services

Volunteers support the Organization's mission through their active support of gallery initiatives and programming. During the year, volunteers reported contributing approximately 3,783 (2022 - 3,580) hours to the Organization which management determined to have an estimated value of approximately \$85,000 (2022 - \$72,000) using Statistics Canada's average hourly rate for Canadian Arts, Entertainment and Recreation industries of \$22.45 (2022 - \$20.67). These amounts are not reflected in the year end financial statements as per the Organization's accounting policies.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

20. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Liquidity risk

The Organization has a liquidity risk in the bank indebtedness, accounts payable and accrued liabilities and bank loans. Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements, maintaining available credit facilities and ensuring principal and interest payments are made on a timely basis. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The board of directors has the ability to fund operating cash flow shortages by transferring investments from the Board Restricted fund to the Unrestricted fund, or to use proceeds from the future sale of artwork for general operating purposes. Any deaccessioning by the Organization recognizes and supports all ethical practices set out in the Canadian Art Museum Directors Organization's 'Guidelines for Deaccessioning', which restricts funds to acquisitions and the care, conservation and benefit of the Organization's permanent collection. There has been no change to the risk exposure from 2022.

(b) Credit risk

The Organization has credit risk in accounts receivable. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization assesses, on a continuous basis, the collectability of accounts receivable and provides for any amounts that are not collectable in the allowance for doubtful accounts. There has been no change to the risk exposure from 2022.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2023

20. Financial instruments, continued

(c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Organization is exposed to the following market risks:

(i) Interest rate risk

Interest rate risk is the risk that the Organization has exposure to changes in the interest rates which could effect its future cash flows or the fair values of its financial instruments. The Organization is exposed to interest rate risk on its financial instruments, including its investments and bank loans. Further details regarding the bank loans are included in Note 9. The Organization's primary objective is to ensure the security of principal amounts invested and provide a high degree of liquidity, while achieving a satisfactory return. Management deems there has been no significant change to the interest rate risk exposure from December 2022.

(ii) Price risk

Other price risk is the risk the fair value of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk). The Organization's investment portfolio, included in restricted investments, is exposed to other price risk.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation. These changes do not impact the prior year's deficiency of revenues over expenditures.



Board of Directors 2024-2025

Updated: September, 2024

NAME	BUSINESS	DATE JOINED BOARD
ANGELUCCI, Sara Chair, Acquisition Committee	Artist, Educator	October 2018
DANKO, John-Paul	Councillor – Ward 8 City of Hamilton	October 2021
DHANAPALA, Dilk	Vice-President Branch Manager Hamilton & Niagara Region BMO Nesbitt Burns Inc.	October 2017
FERREIRA, Roger	Artist and educator in the Hamilton Public School Board	September 2024
FRANCIS, Max	True Hamiltonian	October 2021
GALBRAITH, Scott Chair, Finance & Administration/Audit Committee Long Term Sustainability Committee Executive Committee	District Vice President TD Commercial Banking	October 2017
GENERAL, David M.	Oneida/Mohawk Indigenous Artist & Member of the Six Nations of the Grand River	January 2022
GRAHAM, Gary Chair, Board of Directors Finance & Administration/Audit Committee Governance & Nominating Committee Executive Committee	Partner Business Law Graham Stephenson LLP	October 2017

KROETSCH, Cameron	Councillor – Ward 2 City of Hamilton	November 2022
McMAHON, Eleanor Chair, Long Term Sustainability Committee Governance & Nominating Committee Executive Committee	President & CEO Trans Canada Trail	January 2019
MURRAY, Susan Long Term Sustainability Committee Executive Committee	Director Blue Pier Founder & CEO S A Murray Consulting Inc. (SAMCI)	September 2022
NIXON, Steve Finance & Administration/Audit Committee	Regional Vice President – Hamilton Brantford Norfolk RBC Royal Bank	September 2022
PIETRANTONIO, Joe Finance & Administration/Audit Committee	Managing Director KPMG Corporate Finance Inc.	October 2017
VAN GALEN, Matthijs Finance & Administration/Audit Committee	Partner (Banking & Finance) Gowling WLG	September 2022
WEINBERGER, Hanno Volunteer Association Acquisition Committee	Past Chair, AGH Executive Volunteer Association	September 2023
WILSON, Thomas C.	Musician, Artist, Writer	September 2022
EX OFFICIO: FALCONER, Shelley	President & C.E.O. The Art Gallery of Hamilton	December 2014