



City of Hamilton Report for Information

To: Chair and Members
General Issues Committee

Date: July 9, 2025

Report No: FCS25042

Subject/Title: 2024 Art Gallery of Hamilton Audited Financial Statements

Ward(s) Affected: City Wide

Recommendations

That Report FCS25042, “2024 Art Gallery of Hamilton Audited Financial Statements” **BE RECEIVED** for information.

Key Facts

- At the June 11, 2025 General Issues Committee meeting, during the consideration of Report PED25148, respecting the Art Gallery of Hamilton, staff was directed to review the 2024 Financial Statements of the Art Gallery of Hamilton, when they became available.
- On June 20, 2025, the City received the audited financial statements of the Art Gallery of Hamilton (AGH) for the year ended December 31, 2024, included as Appendix “A”.
- Report FCS25042 is being received for information to update Council on the operations and financial position of AGH, an independent organization supported by the City.

Financial Considerations

There are no financial considerations associated with the receipt of Report FCS25042, which is provided for information purposes and summarizes the financial position of the AGH as of December 31, 2024.

Background

The AGH is an independent, not-for-profit organization supported by the City through funding and the provision of facilities. At the June 11, 2025 General Issues Committee meeting, the following motion was carried:

That Report PED25148, respecting the Art Gallery of Hamilton (City Wide) (Item 8.3) and the related Correspondence (Item 8.3(a)), be DEFERRED to the July 9, 2025 General Issues Committee meeting to allow for receipt of the Art Gallery of Hamilton's 2024 Audited Financial Statements including a full picture of their available lines of credit and bank balances.

Analysis

On June 20, 2025, the City received the audited financial statements of AGH for the year ended December 31, 2024 (attached as Appendix "A").

Statement of Financial Position Analysis

The financial position of AGH for 2024 compared with 2023 is presented in Table 1.

Table 1
Art Gallery of Hamilton Statement of Financial Position
2024 with 2023 Comparison

December 31	2024	2023	Increase or Decrease during 2024	
			\$	%
Assets				
Current assets				
Cash	\$ 277,088	\$ 0	\$ 277,088	100.0%
Accounts receivable	255,474	489,718	(234,244)	(47.8%)
Prepaid expenses	120,255	106,230	14,025	13.2%
Inventory	112,221	96,812	15,409	15.9%
Restricted investments	2,569,693	2,987,126	(417,433)	(14.0%)
	3,334,731	3,679,886	(345,155)	(9.4%)
Permanent collection - works of art (Note 1)	1	1	-	0.0%
Capital assets	9,904,139	10,558,714	(654,575)	(6.2%)
	\$13,238,871	\$14,238,601	\$(999,730)	(7.0%)
Liabilities				
Current Liabilities				
Bank indebtedness	\$ -	\$ 544,907	\$ (544,907)	(100.0%)
Accounts payable and accrued liabilities	613,762	561,990	51,772	9.2%
Deferred revenue	1,082,418	755,758	326,660	43.2%
Event deposits	83,982	101,184	(17,202)	(17.0%)
Bank loans	311,238	348,050	(36,812)	(10.6%)
	2,091,400	2,311,889	(220,489)	(9.5%)
Deferred capital contributions	8,911,110	9,441,741	(530,631)	(5.6%)
	11,002,510	11,753,630	(751,120)	(6.4%)
Net assets				
Unrestricted	73,925	(401,315)	475,240	(118.4%)
Externally Restricted Endowment	111,617	111,617	-	0.0%
Invested in Capital Assets	993,029	1,116,973	(123,944)	(11.1%)
Board Restricted	1,057,790	1,657,696	(599,906)	(36.2%)
	2,236,361	2,484,971	(248,610)	(10.0%)
	\$13,238,871	\$14,238,601	\$ (999,730)	(7.0%)

Note 1: Permanent Collection - Works of Art

The permanent collection is recorded at a nominal value of \$1 in the statement of financial position. Donated artworks, though appraised at \$343,592 in 2024, are not capitalized. Acquisition costs exceeding nominal value (\$174,500 in 2024) are expensed under programming and acquisition costs.

Net Worth: AGH's net assets position (net worth) was \$2.2 M at the end of 2024, a decrease of \$249,000 from the prior year. This decline is primarily due to a reduction in Board Restricted net assets during the year.

Assets: AGH's total assets in 2024 were \$13.2 M, a decrease of \$1 M compared to 2023. A significant portion of this decline is attributable to a reduction in capital assets.

The Cash balance as of December 31, 2024 was \$277,088.

Liabilities: AGH's total liabilities in 2024 were \$11 M, a decrease from 2023. This reduction is primarily due to the elimination of bank indebtedness and a decline in deferred capital contributions.

The Art Gallery of Hamilton has secured a revolving line of credit with a maximum borrowing under the agreement of \$650,000. As at December 31, 2024, the outstanding balance on the line of credit was \$Nil.

Statement of Operations and Changes in Net Assets Analysis

The financial results of AGH for 2024 compared with 2023 is presented in Table 2.

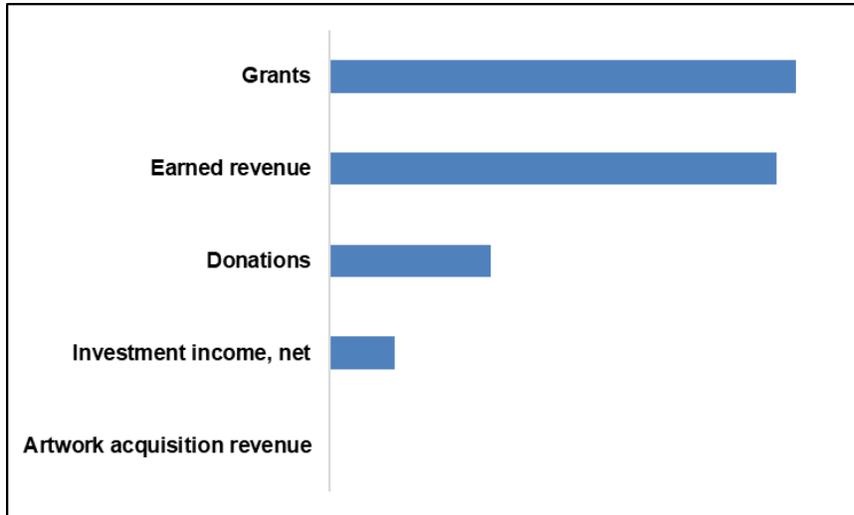
Table 2
Art Gallery of Hamilton Statement of Operations and
Consolidated Statement Changes in Net Assets
2024 with 2023 Comparison

For the year ended December 31	2024	2023	Increase or Decrease during 2024	
			\$	%
Revenue				
Earned revenue	\$3,073,775	\$2,646,756	\$ 427,019	16.1%
Grants	3,215,288	2,609,087	606,201	23.2%
Donations	1,109,949	1,019,039	90,910	8.9%
Investment income, net	451,624	435,733	15,891	3.6%
Artwork acquisition revenue	-	5,151	(5,151)	(100.0%)
	7,850,636	6,715,766	1,134,870	16.9%
Expenses				
Wages and benefits	3,196,573	3,010,543	186,030	6.2%
Cost of earned revenue	1,497,044	1,336,986	160,058	12.0%
Programming and acquisition costs	1,334,332	1,195,734	138,598	11.6%
Utilities, building insurance and maintenance	818,420	610,203	208,217	34.1%
Security	423,643	404,619	19,024	4.7%
Office, administrative and miscellaneous	385,176	368,318	16,858	4.6%
Marketing and communications	232,589	184,713	47,876	25.9%
	7,887,777	7,111,116	776,661	10.9%
Deficiency of revenues over expenditures from operations				
before amortization and other revenue (expenses)	(37,141)	(395,350)	358,209	(90.6%)
Other income (expense)				
Amortization of deferred capital contributions	705,577	660,352	45,225	6.8%
Loss on sale of capital assets	(14,098)	-	(14,098)	Not applicable
Amortization	(902,948)	(883,946)	(19,002)	-
	(211,469)	(223,594)	12,125	(5.4%)
Deficiency of revenues over expenditures for the year	(248,610)	(618,944)	370,334	(59.8%)
Net assets, beginning of year	2,484,971	3,103,915	(618,944)	(19.9%)
Net assets, end of year	\$ 2,236,361	\$ 2,484,971	\$(248,610)	(10.0%)

Net Deficit: AGH reported a net deficit of \$249,000 in 2024 (deficiency of revenue over expenses), representing a significant improvement of 59.8% compared to 2023.

Revenue: AGH’s total revenue for 2024 was \$7.85 M which represents an increase of 16.9% compared to 2023. The composition of the revenue sources is presented in Figure 1.

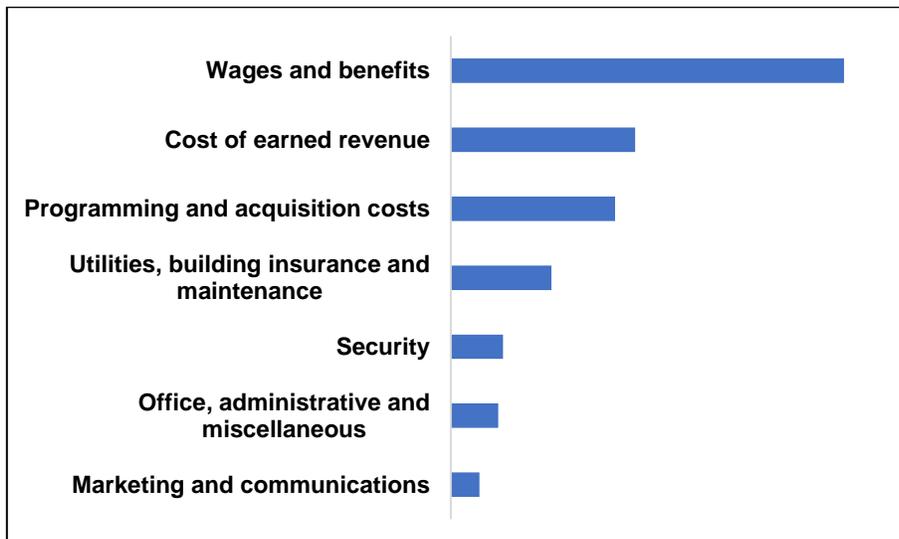
Figure 1
Art Gallery of Hamilton 2024 Revenue Composition



In 2024, AGH’s total revenue rose by 16.9% (\$1.1 M) compared to the previous year. This growth was primarily driven by increases in both earned revenue from operations and grant funding.

Expenses: AGH’s total expenses for 2024 were \$7.89 M which represents an increase of 10.9% compared to 2023. The composition of expenses is presented in Figure 2.

Figure 2
Art Gallery of Hamilton 2024 Expense Composition



AGH's expenses increased by 10.9% (\$777 K) in 2024, with growth observed across all expense categories. The majority of the increase was concentrated in four key areas, including a significant 34.1% rise in utilities, building insurance and maintenance costs.

Financial Indicators Analysis

Table 3 provides an overview of key financial indicators for AGH based on the 2024 financial statements.

Table 3
Art Gallery of Hamilton Key Financial Indicators

Financial Indicator	AGH		
	\$	Trend	
Assets	13,238,871	↓	
Current Assets (CA)	3,334,731	↓	
Equity	2,236,361	↓	
Net Income (Loss)	(248,610)	↑	
Cash	277,088	↑	
Liabilities			
Current Liabilities (CL)	2,091,400	↑	
Non-Current Liabilities	8,911,110	↑	
Debt (Borrowings)	311,238.00	↑	
Ratios:			
<u>Liquidity Measurement Ratio</u>			
Current Ratio (CA/CL)			
	2024	1.59	-
	2023	1.59	
<u>Debt Ratio</u>			
Debt to Equity Ratio			
	2024	4.92	↓
	2023	4.73	
<u>Income Ratio</u>			
Gross Margin			
	2024	23.2%	↑
	2023	17.5%	
<u>Dependency Ratio</u>			
City Dependency Ratio			
	2024	12.7%	↑
	2023	14.9%	

The definitions for terms used in Table 3 are detailed below.

- Current Assets: Assets that are expected to be sold, consumed, utilized or exhausted through the standard business operations over the next year.
- Equity: The value of all assets less any liabilities. Equity is the value left over if an entity were to utilize assets to meet all liability obligations.

- **Current Liabilities:** Debts or obligations that are due within one year or within a normal operating cycle.
- **Non-Current Liabilities:** Debts or obligations that are not due within one year or within normal operations.
- **Current Ratio:** A standard liquidity ratio calculated as Current Assets divided by Current Liabilities. The current ratio is a measure of the ability to pay short-term obligations. A higher current ratio is preferable to demonstrate ability to pay liabilities.
- **Debt Ratio:** A standard ratio calculated as total liabilities divided by equity. It is used to evaluate an entity's financial leverage. A ratio of less than 1.00 is considered positive and over 1.00 indicates equity is less than liabilities.
- **Gross Margin:** A primary measure to evaluate an entity's health and competitiveness. Gross margin is measured as a percentage which indicates the amount of revenue per dollar after deducting expenses.
- **City Dependency Ratio:** Measures the proportion of total revenue derived from municipal funding. An increase in this ratio may indicate a growing reliance on City support, potentially reflecting a decline in other revenue sources such as grants, sponsorships, or self-generated income.

AGH's current ratio remained stable at 1.59 in 2024. This indicates that the AGH has sufficient ability to pay outstanding liabilities with current assets. The debt to equity ratio increased slightly from 4.73 in 2023 to 4.92 in 2024, indicating a modest rise in financial leverage. This ratio, calculated by dividing total liabilities by net assets, reflects the extent to which the organization is financed through debt versus equity. The gross margin is trending positively and is up to 23.2% in 2024 from 17.5% in 2023 as the deficit, as a portion of sales, has decreased. Lastly, the City Dependency Ratio improved slightly in 2024, decreasing to 12.7% from 14.9% in 2023. This ratio shows how much AGH relies on City funding and is calculated by dividing City funding by total revenue from all sources.

Conclusion

Based on the information available, there are no material uncertainties identified that would cast significant doubt on the Art Gallery of Hamilton's ability to continue as a going concern for at least 12 months from the date of the financial statements. The Gallery demonstrates adequate liquidity, improved revenue performance and manageable liabilities, alongside moderate reliance on municipal funding, which collectively support its financial sustainability in the near term.

While an operating deficit was reported and some revenues remain subject to variability, these risks are mitigated by a strong working capital position, diversified revenue streams and continued support from the City of Hamilton. As part of their audit responsibilities, the independent auditor is required to assess whether a material uncertainty exists that may cast significant doubt on the organization's ability to continue as a going concern. The auditor did not identify any such uncertainty or issue a modified opinion, further supporting this assessment. Ongoing financial oversight and strategic planning will be essential to maintain long-term stability.

Alternatives

Report FCS25042 is presented as information to support Council's decision making related to PED25148 that was deferred from the June 11, 2025 General Issues Committee (GIC) to the July 9, 2025 GIC meeting. As a result, no alternatives have been presented.

Relationship to Council Strategic Priorities

Report FCS25042 is being presented to the General Issues Committee by staff in order to support Council Priority 3: Responsiveness & Transparency.

Previous Reports Submitted

General Issues Committee, June 11, 2025: [PED25148: Art Gallery of Hamilton](#)

Consultation

Not Applicable

Appendices and Schedules Attached

Appendix "A" to Report FCS25042 – 2024 Art Gallery of Hamilton Audited Financial Statements

Prepared by: Alex Di Domenico, Senior Financial Analyst,
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