Art Gallery of Hamilton

Financial Statements

Year ended December 31, 2024

PM

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Independent Auditor's Report

To the Board of Directors of Ari 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, 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Art Gallery of Hamilton as at December 31, 2024, 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 far 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.

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Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Mastroluisi LLP

Chartered Professional Accountants
Licensed Public Accountants

Hamilton, Ontario
June 17, 2025

Art Gallery of Hamilton

Statement of Financial Position

	December 31 2024	December 31 2023
Assets		
Current assets		
Cash	$ 277,088	$ -
Accounts receivable	255,474	489,718
Prepaid expenses	120,255	106,230
Inventory (Note 3)	112,221	96,812
Restricted investments (Note 4)	2,569,693	2,987,126
	3,334,731	3,679,886
Permanent collection - works of art (Note 5)	1	1
Capital assets (Note 6)	9,904,139	10,558,714
	$ 13,238,871	$ 14,238,601
Liabilities		
Current liabilities		
Bank indebtedness (Note 7)	$ -	$ 544,907
Accounts payable and accrued liabilities	613,762	561,990
Deferred revenue (Note 8)	1,082,418	755,758
Event deposits	83,982	101,184
Bank loans (Note 9)	311,238	348,050
	2,091,400	2,311,889
Deferred capital contributions (Note 10)	8,911,110	9,441,741
	11,002,510	11,753,630
Net assets		
Unrestricted	73,925	(401,315)
Externally Restricted Endowment	111,617	111,617
Invested in Capital Assets	993,029	1,116,973
Board Restricted	1,057,790	1,657,696
	2,236,361	2,484,971
	$ 13,238,871	$ 14,238,601

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 2024	2023
Revenues		
Grants (Note 13)	$ 3,215,288	$ 2,609,087
Earned revenue (Note 14)	3,073,775	2,646,756
Donations	1,109,949	1,019,039
Investment income, net (Notes 4 and 12)	451,624	435,733
Artwork acquisition revenue (Note 5)	-	5,151
	7,850,636	6,715,766
Expenditures		
Wages and benefits	3,196,573	3,010,543
Cost of earned revenue (Note 15)	1,497,044	1,336,986
Programming and acquisition costs (Note 5)	1,334,332	1,195,734
Utilities, building insurance and maintenance	818,420	610,203
Security	423,643	404,619
Office and administrative	385,176	368,318
Marketing and communications	232,589	184,713
	7,887,777	7,111,116
Deficiency of revenues over expenditures from operations	(37,141)	(395,350)
Other income (expenses)		
Amortization of deferred capital contributions	705,577	660,352
Loss on sale of capital assets	(14,098)	-
Amortization	(902,948)	(883,946)
	(211,469)	(223,594)
Deficiency of revenues over expenditures for the year	$ (248,610)	$ (618,944)

See accompanying notes to the financial statements.

Art Gallery of Hamilton

Statement of Changes in Net Assets

Year Ended December 31, 2024

	Unrestricted	Externally Restricted Endowment	Invested in Capital Assets	Board Restricted	Total
Balance at beginning of the year	$ (401,315)	$ 111,617	$ 1,116,973	$ 1,657,696	$ 2,484,971
Deficiency of revenues over expenditures	(37,141)	-	(211,469)	-	(248,610)
Investment in capital assets (Note 16)	(87,525)	-	87,525	-	-
Interfund transfer (Note 17)	599,906	-	-	(599,906)	-
Balance at end of the year	$ 73,925	$ 111,617	$ 993,029	$ 1,057,790	$ 2,236,361

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 16)	(106,017)	-	106,017	-	-
Interfund transfer (Note 17)	912,081	-	-	(912,081)	-
Balance at end of the year	$ (401,315)	$ 111,617	$ 1,116,973	$ 1,657,696	$ 2,484,971

See accompanying notes to the financial statements.

Art Gallery of Hamilton

Statement of Cash Flows

	Year ended December 31 2024	2023
Cash flows from (used in) operating activities		
Deficiency of revenues over expenditures for the year	$ (248,610)	$ (618,944)
Items not involving cash		
Amortization	902,948	883,946
Loss on sale of capital assets	14,098	-
Amortization of deferred capital contributions	(705,577)	(660,352)
Change in fair value of investments	(30,587)	(175,904)
	(67,728)	(571,254)
Net change in non-cash operating working capital balances		
Decrease (increase) in accounts receivable	234,244	(219,464)
(Increase) decrease in prepaid expenses	(14,025)	136,849
(Increase) decrease in inventory	(15,409)	6,944
Increase (decrease) in accounts payable and accrued liabilities	51,772	(140,108)
Increase (decrease) in deferred revenue	326,660	(74,940)
(Decrease) increase in event deposits	(17,202)	13,200
	566,040	(277,519)
	498,312	(848,773)
Cash flows from (used in) investing activities		
Purchase of investments	(945,838)	(447,781)
Proceeds on disposal of investments	1,609,332	1,392,803
Purchase of capital assets	(264,671)	(835,652)
Reinvested investment income	(215,474)	(63,510)
Receipt of deferred capital contributions	174,946	729,635
Proceeds on sale of equipment	2,200	-
	360,495	775,495
Cash flows from (used in) financing activities		
Bank indebtedness, net	(544,907)	109,969
Repayment of bank loans	(36,812)	(36,691)
	(581,719)	73,278
Net increase in cash during the year	277,088	-
Cash at beginning of the year	-	-
Cash at end of the year	$ 277,088	$ -

See accompanying notes to the financial statements.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

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 twenty-two (2023 - 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. Change in accounting policy

During the year the Organization adopted AcG-20 - Customer's Accounting for Cloud Computing Arrangements ("guideline") which is mandatorily effective for years beginning on or after January 1, 2024. The guideline provides clarity on the accounting treatment of expenses related to an organization's cloud computing arrangement and the matter of determining whether a software intangible asset exists in the arrangement. Cloud computing arrangements involve paying a subscription fee to access software over the internet or a private network and typically include a software element, hardware element, and implementation activities.

Under the new guideline, an organization can apply the simplification approach which permits an organization to expense, as incurred, all expenditures related to the elements in a cloud computing arrangement. If an organization does not choose the simplification approach it must determine if the software element of the arrangement constitutes a software intangible asset in accordance with Section 3064 - Goodwill and intangible assets in Part II of the Chartered Professional Accountants of Canada Handbook. If the software element of the arrangement constitutes a software intangible asset, expenditures related to implementation activities that are directly attributable to preparing the software intangible asset for its intended use are added to its cost and amortized over its useful life. If the software element of the arrangement is not a software intangible asset it is treated as a software service and an organization has a policy choice for implementation activity expenditures that are directly attributable to preparing the software service for its intended use to record them as expenses as incurred or capitalize the expenditures as an asset and expense them on a straight-line basis over the expected period of access to the software service.

The accounting policies adopted by the Organization are detailed in Note 2 and have been applied as of January 1, 2023. No retrospective adjustments were required to the comparative figures.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

2. 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, realized gains and losses on disposal of investments 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.

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.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

2. Significant accounting policies, continued

Cloud computing arrangements

The Organization applies the simplification approach to account for expenditures in cloud computing arrangements. The expenditures in the arrangements are expensed as incurred.

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.

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.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

2. Significant accounting policies, continued

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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. 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.

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 cost or amortized cost include cash and accounts receivable.

Financial liabilities measured at cost or 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.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

2. Significant accounting policies, continued

Financial instruments, continued

(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.

(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.

3. Inventory

The amount of inventory included in cost of earned revenue is $320,293 (2023 - $285,043).

4. 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 2024		December 31 2023	
	Market	**Cost**	**Market**	**Cost**
Cash and equivalents	$ 345,159	$ 345,159	$ 616,205	$ 616,205
Guaranteed investment certificates	908,986	908,986	614,307	614,307
Fixed income securities	348,929	363,300	418,810	453,535
Other structured securities	270,839	274,924	358,368	371,556
Equity instruments	695,780	503,566	979,436	788,575
	$ 2,569,693	$ 2,395,935	$ 2,987,126	$ 2,844,178

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

4. Restricted investments, continued

Guaranteed investment certificates bear interest between 3.75% and 4.30% with maturity dates ranging from September 2025 to October 2025.

Included in investment income on the statement of operations is an unrealized gain of $30,587 (2023 - $175,904) related to the change in the fair market value of the investments during the fiscal year.

5. Permanent collection - works of art

Contributions to the collection in the year included 94 (2023 - 89) works of art, independently appraised at a fair value of $343,592 (2023 - $272,758). Reimbursement by donors for related direct expenditures such as appraisal fees, shipping costs and storage fees totaled $Nil (2023 - $5, 151) and have been recorded as artwork acquisition revenue in the statement of operations.

During the year the Organization acquired eight (2023 - five) works of art at an excess cost over nominal value of $174,500 (2023 - $213,600) which is included in programming and acquisition costs in the statement of operations.

As at December 31, 2024, the permanent collection consisted of approximately 11,420 works of art.

6. Capital assets

			December 31 2024	
	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Buildings and building improvements	$ 25,497,580	$ 16,208,617	$ 9,288,963	$ 9,818,150
Equipment and furnishings	2,042,502	1,430,239	612,263	734,093
Computer equipment	124,586	121,673	2,913	6,471
	$ 27,664,668	$ 17,760,529	$ 9,904,139	$ 10,558,714

7. Bank indebtedness

The Organization has secured a revolving line of credit with a maximum borrowings under the agreement of $650,000 (2023 - $650,000). Interest on any borrowings is calculated at the bank's prime rate. As at December 31, 2024, the outstanding balance on the line of credit was $Nil (2023 - $544,907). See Note 9 for related security on the facility.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

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 (2023 - $220,165) and the Canada Council for the Arts of $130,000 (2023 - **$Nil)** to be applied against expenditures in the following year.

9. Bank loans

	December 31 2024	2023
Demand loan, prime rate, repayable in monthly instalments of $1,041	$ 122,720	$ 135,333
Demand loan, prime plus 0.5%, repayable in monthly instalments of $1,039	96,634	109,103
Demand loan, prime rate, repayable in monthly instalments of $977	91,884	103,614
	$ 311,238	$ 348,050

Estimated principal repayments are as follows:

2025	$ 36,691
2026	36,691
2027	36,691
2028	36,691
2029	36,691
Subsequent years	127,783
	$ 311,238

The above loans, including the line of credit facility in Note 7, 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, 2024

10. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations, grants or contributions 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 2024	December 31 2023
Balance at beginning of the year	$ 9,441,741	$ 9,372,458
Add: Capital contributions received during the year	174,946	729,635
Less: Amortization of deferred capital contributions	(705,577)	(660,352)
Balance at end of the year	$ 8,911,110	$ 9,441,741

11. Commitments

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

2025	$ 485,037
2026	452,050
2027	41,118
2028	275
	$ 978,480

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

12. 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 2024, the Organization received $23,522 (2023 - $20,333) in total income distributions from the HCF which has been included in investment income on the statement of operations. As at December 31, 2024, the fair value of the funds being held by the HCF for the benefit of the Organization was $314,772 (2023 - $288,587).

(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 2024, the Organization received $182,041 (2023 - $175,987) in income distributions from the OAF which have been included in investment income on the statement of operations. As at December 31, 2024, the fair value of the funds being held by the OAF for the benefit of the Organization was $4,051,328 (2023 - $3,834,995).

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

13. Grants 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 2024	2023
City of Hamilton - Planning & Economic Development	$ 1,210.000	$ -
City of Hamilton - City Enrichment Fund	1,000,000	1.000.000
Canada Council for the Arts	347,600	180,000
Ontario Arts Council	220.165	237,152
Operating grant revenue	2,777,765	1,417,152
All other project grant revenue	197,226	594,170
Canada Council for the Arts	143,400	237,152
Department of Canadian Heritage	96,897	180,000
Ontario Arts Council	-	30,000
Special projects funding revenue	437,523	1,041,322
Total grants revenue	$ 3,215,288	$ 2,458,474

14. Earned revenue

	December 31 2024	2023
Client events	$ 1,685,268	$ 1,555,642
Retail and art sales	555,410	485,146
Admission and other	368,487	181,767
Educational programs	212,542	207,133
Fundraising	169,332	143,396
Memberships	82,736	73,672
	$ 3,073,775	$ 2,646,756

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

15. Cost of earned revenue

	December 31 2024	December 31 2023
Cost of catered events	$ 959,445	$ 861,377
Retail costs	334,393	295,561
Business development	105,254	27,517
Fund raising	83,078	85,180
Supplies and rentals	14,874	67,351
	$ 1,497,044	$ 1,336,986

16. Invested in Capital Assets

Invested in Capital Assets consists of the following:

	December 31 2024	December 31 2023
Capital assets	$ 9,904,139	$ 10,558,714
Less: Amounts financed by deferred capital contributions	(8,911,110)	(9,441,741)
	$ 993,029	$ 1,116,973

Change in Investment in Capital Assets is determined as follows:

	December 31 2024	December 31 2023
Balance at beginning of the year	$ 1,116,973	$ 1,234,550
Add: Amortization of deferred capital contributions	705,577	660,352
Add: Purchase of capital assets	264,671	835,652
Less: Capital contributions received during the year	(174,946)	(729,635)
Less: Amortization of capital assets	(902,948)	(883,946)
Less: Loss on sale of equipment	(14,098)	-
Less: Proceeds on disposal of equipment	(2,200)	-
Balance at end of the year	$ 993,029	$ 1,116,973

17. Fund transfers

During the year, the Board approved net transfers of $599,906 (2023 - $912,081) from the Board Restricted fund to the Unrestricted fund to support its ongoing operating and strategic initiatives.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

18. Contributed services

Volunteers support the Organization's mission through their active support of gallery initiatives and programming. During the year, volunteers reported contributing approximately 2,633 (2023 - 3,783) hours to the Organization which management determined to have an estimated value of approximately $61,000 (2023 - $85,000) using Statistics Canada's average hourly rate for Canadian Arts, Entertainment and Recreation industries of $23.08 (2023 - $22.45). These amounts are not reflected in the year end financial statements as per the Organization's accounting policies.

19. Financial instruments risks and uncertainties

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 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 2023.

(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 2023.

Art Gallery of Hamilton

Notes to Financial Statements

December 31, 2024

19. Financial instruments risks and uncertainties, continued

(c) Markel 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 2023.

(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.