



Royal Botanical Gardens

Annual Report

2018

Mission

We dedicate our expertise in horticulture, conservation, science and education to connect people, plants and place for the purpose of nurturing and preserving healthy growing life on our planet.

Vision

A world in which everyone is awake to the beauty, diversity and necessity of plants, and from that consciousness more actively works together to protect and preserve plant species and habitats and, by extension, our planet.

Role

Royal Botanical Gardens (RBG) is the largest botanical garden in Canada, a National Historic Site, and registered charitable organization with a mandate to bring together people, plants and nature.

Through the support of the Ontario Ministry of Tourism Culture and Sport, Region of Halton, City of Hamilton, charitable donations and self-generated revenue, RBG projects include:

- Protecting and restoring 2450 acres of nature sanctuaries containing environmentally sensitive habitats, where approx. 50 listed species- at-risk have made their home;
- Teaching the public and educate school children about the importance of plants and nature, and how to be environmental stewards in their community;
- Creating display gardens which beautify our region landscape and teach people how to transfer best practices into their own backyard;
- Hosting events that celebrate our landscape and highlight our conservation activities (Fishway demonstrations, nature sanctuary guided tours, children's winter exhibits); and
- Engaging in research projects and networks to pursue environmental sustainability;
- Leading a provincewide "Back to Nature" Network to help kids reconnect with the outdoors;
- Project Paradise, one of the largest freshwater marshland restoration projects of its kind in North America;
- Since 2006, RBG has been appointed Canada's 'National Focal Point for the Global Strategy for Plant Conservation (GSPC), part of the United Nations Convention on Biological Diversity;

These and other leadership initiatives could not be undertaken without the support of our members, donors and volunteers.

Funders

Royal Botanical Gardens is funded by the people of Ontario through Ontario Ministry of Tourism, Culture and Sport, Regional Municipality of Halton, City of Hamilton, Royal Botanical Gardens' members, and many corporations, foundations and individuals.



Table of Contents

- Board Chair and CEO Message4
- Strategic Direction6
 - 1. *Providing Legendary Guest Experiences* 6
 - 2. *Financial Sustainability* 6
 - 3. *Environmental Leadership* 6
 - 4. *Governance and Leadership* 7
- Description of Activities8
 - Horticulture* 8
 - Natural Lands* 8
 - Science* 8
 - Education* 9
 - Business Development* 9
 - Volunteerism* 10
- Performance Measures10
- Financial Report11
- RBG Board of Directors, 2018.....26

Board Chair and CEO Message

2018 represented the fourth year of Royal Botanical Gardens' five-year strategic plan, aimed to take the Gardens to a new level of performance as it enters the next decade.

The year started with *Frogs: The Exhibition*, a family-friendly experience that showcased 17 species of frogs from around the world, as well as local species found at RBG wetlands, and demonstrated the roles they play in sustaining a healthy environment. The Camilla and Peter Dalglish Atrium was filled with over 50,000 total inquisitive families who attended the exhibit between January 20th and April 15th.

RBG's 2018 theme, *Colour Comes Alive*, really hit its stride with the arrival of spring, accented with brilliant blooms that included the enticing fragrance of the famous lilac collection, swaths of gorgeous perennials in the historic Rock Garden and brilliant cascades of iris and peony in the Laking Garden. Visitors were treated to a season of vibrant colour and experiences as horticultural attractions were accentuated by numerous family events, culinary experiences and educational programming.

The first day of summer coincided with the grand opening of the new Rose Garden following a significant rejuvenation. This innovative and sustainable garden embraces modern practices in horticulture while boasting a brilliant new design. The garden addresses the challenges of climate change and disease by limiting maintenance and pesticide use. Carefully selected roses along with beautiful companion perennials create a healthy eco-system with significant emphasis on careful plant selection; over 2500 new roses are Ontario climate hardy.

RBG was a summertime destination for arts and culture, with the return of the Garden Music Nights concert series to Hendrie Park and Shakespeare at the Rock Garden. In August, new additions to the celebrated Dan Lawrie International Sculpture Collection were unveiled as part of Arts Week at RBG and the concert experience moved beyond Hendrie Park with two successful trial concerts at the Arboretum. The laid-back atmosphere along with a stunning backdrop of Carolinian forest made for an ideal concert venue and more opportunities will be explored in 2019.

RBG facilities provided an ideal setting for corporate and private rentals and the Gardens remained a prime destination for wedding ceremonies, receptions and photography.

In November and December, family-favourite *Holiday Traditions* rounded out the year with myriad activities that included Santa's Signature Experience, three train experiences including Canada's biggest botanical train show, and *Winter Lights at the Rock*, further establishing RBG as top destination for families to experience the magic of the holiday season throughout the region.

As a not-for-profit organization, RBG seeks programming support through grant opportunities and significant progress was made in two projects made possible through the Ontario Trillium Foundation. The *Heritage and Heroes* project is helping RBG to digitize its archival resources and bringing them to life through special lectures, theatrical presentations and interpretive displays, while resources for the acquisition of a volunteer programs manager allowed for RBG to exceed its 3-year goal of one thousand volunteers. RBG volunteers now include over 1,100 community members who contribute on an annual basis.

Overall attendance to the Gardens increased by 6.4% and revenue targets were achieved with increases in general admission and membership revenues. RBG membership has grown to over 19,000 individual members.

RBG staff continued to focus on core mandated activities and provide unique educational experiences through five garden areas while maintaining 2,400 acres of environmentally sensitive natural lands within a major urban centre.

Through the support of Government of Ontario through the Ministry of Tourism Culture and Sport, Regional Municipality of Halton, City of Hamilton, as well as donors, partners, numerous volunteers and members, RBG continues to implement long-term strategies to ensure financial success while focusing on critical environmental initiatives and showcasing with a world-class tourism destination.



Ruth Lee, Board Chair
Royal Botanical Gardens



Mark Runciman, CEO
Royal Botanical Gardens

Strategic Direction

In 2018, Royal Botanical Gardens entered year four of a five-year strategic plan, involving input from members of its board of directors and staff from all levels. The goal of the plan is to enter the next decade as an elite organization in providing legendary guest experiences, become financially sustainable with enough revenue to achieve these goals, take leadership on environmental stewardship and education locally, provincially, nationally and internationally, and maximize all human resources to support the strategic directions of the organization.

Work continued in four key areas.

1. Providing Legendary Guest Experiences

- 1.1 Provide a comprehensive customer service training program those results in a “wow” guest experience at RBG.
- 1.2 Implement a work schedule for the RBG team that will have team members available to enhance the guest experience at all times.
- 1.3 Create a complete and consistent signage and interpretation experience at all points of entry and throughout the RBG (including digital points of entry).
- 1.4 Obtain, analyze, and consider guest feedback on an ongoing basis to assist in improving the guest experience.
- 1.5 Develop and implement an internal transportation strategy aimed at connecting the separate areas of RBG, giving guests options for moving around the property. This strategy would ensure guest parking availability and provide alternative accessibility options including but not limited to transit, cycling, walking and arriving by car.
- 1.6 Research public transit opportunities with key stakeholders in our area to provide improved access for our guests.
- 1.7 Provide guest amenities to enhance the guest experience.

2. Financial Sustainability

- 2.1 Create new revenue streams for Royal Botanical Gardens. Leverage and enhance the existing land use plan to identify the next capital projects that should be undertaken over the next five years. For each project, develop a business plan which will include the feasibility of conducting a major capital fundraising campaign to cover capital costs.
- 2.2 Develop and implement an infrastructure renewal program for all assets of RBG in order to maintain facilities in a state of good repair.
- 2.3 Explore partnerships with the private sector and/or a university to leverage RBG expertise and physical assets in botanical and environmental science.
- 2.4 Identify surplus assets that should be sold.
- 2.5 Conduct an annual review of RBG businesses (activities) with a view to improving long-term performance.

3. Environmental Leadership

- 3.1 Create a comprehensive communication plan around environmental issues and climate change.
- 3.2 Secure key partnerships that build on the “laboratory” nature of RBG’s natural lands, species resources and scientific expertise (intellectual property).
- 3.3 Demonstrate leadership in environmental stewardship by continuing to focus on operating in an environmentally responsible manner in everything we do.

4. Governance and Leadership

- 4.1 Define the structure and composition of the Board of Directors.
- 4.2 Determine the need for a separate fundraising arm or alternative option.
- 4.3 Revise the organizational structure to facilitate the implementation of the strategic plan.
- 4.4 Transition from a Management Board to a Governance Board.
- 4.5 Put a succession plan in place for critical management and Board positions.
- 4.6 Provide key information to RBG staff, members, guests, and the public.
- 4.7 Maximize the involvement of the Auxiliary in the new strategic directions.

Description of Activities

Horticulture

The Mediterranean Garden at RBG Centre received general infrastructural upgrades which improved ventilation and system controls. The collections' pathway system was improved to eliminate back-tracking which enhanced visitor experience for guests using walkers, wheelchairs, or pushing strollers. Mechanical upgrades to the Orchid House were made to assist with temperature control systems, and auxiliary heating units were added to Orchid, Mediterranean Garden, and the Breezeway glasshouse.

June marked the opening of RBG's new Rose Garden in Hendrie Park following nearly two years of planning and implementation. Representing "better genetics", this garden support RBG's commitment to showcasing an earth-kind integrated pest management approach to growing roses and associated companion plants, unique to all of Canada. In-house production of larger, more robust RBG production house annuals for the Colour Comes Alive theme was implemented across gardens. Plans were approved to renovate the Plains Road Island beds in a decidedly unique way in spring of 2019.

Specimen trees representing RBG's urban street tree collection were temporarily moved, stored, and brought back in a new configuration throughout the RBG Centre parking lot renovation. A total of 142 trees, 1078 perennials, 51 shrubs, and 8777 perennial bulbs totaling 10,055 plants of 158 taxa were planted. These included 62 new trees in our Rock Garden, and 35 new trees in Laking Garden. Draft management plans for the lilac, peony, iris and magnolia collections were created which will inform and improve RBG's targeted care for the many rare, endangered or unusual species or cultivars represented in these collections.

Natural Lands

Substantial progress was made in Hendrie Valley at revitalizing Grindstone Marsh Trail. This was highlighted by the completion of the main boardwalk deck and railing replacement, and the renovation of the section of trail that was flooded in 2017. Complementing this work, the adjacent abandoned Old Snake Road was substantially cleaned up and re-naturalized, returning the ecological character to this section of Hendrie Valley. Further along the trail, the elimination of a large patch of the invasive plant *Phragmites* was completed.

The restoration of Cootes Paradise Marsh was significantly setback in 2018 due to a major sewage spill upstream into Chedoke Creek. Virtually all aquatic plants were lost, and fish and wildlife populations were substantially impacted. Resolution of this problem resulted in a thorough investigation into a range of water quality issues associated with the creek, anticipated to be addressed in the coming years.

Science

The science department continued its collaboration with the natural lands team on research on controlling invasive species including the grass *Poa nemoralis*, and recovery of habitat after removal of *Phragmites australis*. Consultations to create RBG's first strategy to detect and control invasive species began in 2018.

RBG's herbarium team participated in a number of educational events aimed to bring awareness to plants. These included interpretive at RBG's Fest-of-Ales event, plant ID services at the second RBG/Cootes to Escarpment EcoPark System BioBlitz, and a series of both professional and public plant identification workshops.

With the education department a major new project was launched in 2018 to tell the story of RBG's history and cultural heritage based on archival records. This two-year project is being supported by the Ontario Trillium Foundation and the Government of Ontario and has the goal of reaching 10,000 people with RBG historical information by early 2020. Our archives received historical papers from the Raspberry family.

With the help of a grant from the Museum Assistance Program of the Government of Canada the science department began addressing key risks to RBG's irreplaceable non-living collections, such as the herbarium, archives, and rare book collection.

Dr. David Galbraith, head of science, represented the Gardens on the national and international front, representing Canada at a global meeting of botanical gardens in Cape Town, South Africa in August, and convening an international conference of the Ecological Restoration Alliance of Botanic Gardens at RBG in October.

Science Department by the Numbers for 2018

- 1 new plant species described
- 4 new scientific publications
- 4 Interns trained
- 617 specimens added to the herbarium database
- 906 herbarium specimens scanned
- 2 new plant species were recorded in RBG natural lands, 1 relocated after an absence
- 2018 BioBlitz:
 - 70 observers
 - 651 species observed
 - 1,804 observations submitted

Education

Interpretation helps our plants tell their story, and in 2018, we wrapped the newly planted Rose Garden with an interpretive installation called *The Rose Story* that explores the development of cultivated roses from the 15th century to today.

The new *Spirits of Paradise* moving theatre experience sold out. This series of evening performance vignettes took participants on a walk along the shore of our largest nature sanctuary, where they encountered historical figures who provided insight into the changing relationship of people and this significant cultural landscape.

108,000 people participated in interpretive activities over the course of the year.

In partnership with the Friends of the Greenbelt Foundation we prepared a report on gardening and climate change. This was widely distributed in print and digitally around the Golden Horseshoe.

Working with the Horticulture Department, the medicinal plant collection was reviewed, and plans made for updating and renovating it in preparation for new interpretive panels in 2019. Planning was also started on the Lilac Walk, and cuttings were taken for propagation in preparation for renovations.

School program numbers were up 10% over 2017, and 15% of all school programs were conducted in French.

Over 2,500 children were able to participate in education programming with the support of our Green Angels Fund.

Over 40% of Canadian students participating in videoconference-based education programs were from Indigenous communities across the North.

Business Development

As a not-for-profit organization, RBG's achievements are made possible through the dedication and financial support of a variety of individuals, businesses and government funding initiatives. People make the difference at RBG and the business development and community engagement team worked closely with community partners to ensure we continue to play a vital role as environmental stewards, providing green spaces and nurturing a love for the plant world.

\$2,985,241 was raised in support of the Growing up Green annual giving campaign.

\$109,064 was raised in support of the Green Angels subsidy fund. The fund provided:

- 370 children/youth supported through admission passes and memberships
- 76 school groups for 2,619 children
- 9 youth programs for 283 youth
- 32 campers on 158 camper days

With the support of the community, \$1,136,165 in total was raised towards completion of the newly rejuvenated Rose Garden.

Total membership for 2018 was 11,627, which includes 19,832 individual members. Membership revenue increased by 12.5% over 2017.

Volunteerism

Our new model for volunteerism at RBG continued to take shape in 2018. In March, the members of the Auxiliary of the Royal Botanical Gardens voted unanimously to begin the legal dissolution of their organization and to officially join the team of RBG Volunteers. This has meant that we are now one team united working together in the interests of Royal Botanical Gardens; many efficiencies have come from this decision. Most remarkably, in 2018 volunteerism at RBG hit a record high with volunteers contributing over 51,350 hours of service and increase of over 16,600 hours from our 2016 total. The future is bright for volunteerism at RBG.

Performance Measures

<i>Measure</i>	<i>2018 Target</i>	<i>2018 Actual</i>
<i>Paid Attendance</i>	102,000	132,308
<i>Member Visits</i>	67,010	72,224
<i>Student Program Visits</i>	30,303	33,719
<i>Online Sales Conversions</i>	<i>Data unavailable due to upgrade in ticketing platform</i>	
<i>Social Media Impressions</i>	6,000,000	7,115,843+ (does not include Instagram)

Financial Report



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, 2018, 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, 2018, 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.



BROWNLOW PARTNERS

CHARTERED PROFESSIONAL ACCOUNTANTS

A 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 21, 2019

Chartered Professional Accountants
Licensed Public Accountants

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	\$ 1,709,855	\$ 607,750
Accounts receivable	480,258	562,945
Government remittances receivable	182,028	256,567
Inventory	215,023	232,112
Prepaid expenses and deposits	150,421	143,873
	2,737,585	1,803,247
INVESTMENTS (note 3)	14,234,550	18,417,496
CAPITAL ASSETS (note 5)	42,830,819	41,738,575
	\$ 59,802,954	\$ 61,959,318

LIABILITIES AND NET ASSETS

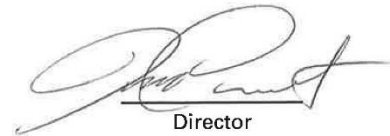
CURRENT LIABILITIES		
Accounts payable	\$ 2,044,148	\$ 2,090,690
Deferred revenue	1,540,131	1,579,654
Deferred capital funding	1,087,156	2,675,263
Deferred operating contributions (note 7)	5,902,709	7,909,392
	10,574,144	14,254,999
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	41,795,015	39,710,818
	52,369,159	53,965,817
NET ASSETS		
Unrestricted (note 8)	2,429,664	2,626,705
Internally restricted (note 9)	2,686,491	3,069,299
Endowments (note 10)	2,317,640	2,297,497
	7,433,795	7,993,501
	\$ 59,802,954	\$ 61,959,318

Commitments and contingencies (note 12)



Director

Approved by the Board



Director

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

4

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
REVENUE		
Operating grants		
Province of Ontario - Ministry of Tourism, Culture and Sport	\$ 4,036,000	\$ 4,036,000
City of Hamilton	625,335	616,094
Regional Municipality of Halton	771,329	759,930
	<u>5,432,664</u>	<u>5,412,024</u>
Admissions, memberships and other program revenue (note 14)	4,651,892	4,394,082
Mandated activities (note 14)	2,960,938	3,695,296
Development - donations (note 14)	729,264	763,864
Investment income (note 14)	273,996	225,768
Amortization of deferred capital contributions (note 5)	3,078,392	3,106,049
	<u>17,127,146</u>	<u>17,597,083</u>
EXPENSES		
Admissions, memberships and other program expenses	2,916,741	3,152,180
Maintenance and equipment	2,553,630	2,757,783
Administration	2,401,735	2,272,017
Development fundraising	675,645	660,323
Mandated activities		
Horticulture - gardens, parklands and collections	2,240,856	2,216,531
Conservation and environmental programs	1,246,086	1,195,987
Scientific and research programs	565,591	651,558
Education programs	1,408,465	1,541,922
Amortization of capital assets (note 5)	3,078,392	3,106,049
	<u>17,087,141</u>	<u>17,554,350</u>
EXCESS OF REVENUE OVER EXPENSES FOR OPERATIONS	40,005	42,733
Change in unrealized gain (loss) on investments	(232,517)	157,386
EXCESS (DEFICIENCY) ADDED TO NET ASSETS FOR THE YEAR	\$ (192,512)	\$ 200,119

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

5

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted (note 8)	Internally restricted (note 9)	Endowments (note 10)	Total 2018	Total 2017
NET ASSETS, BEGINNING OF THE YEAR	\$ 2,626,705	\$ 3,069,299	\$ 2,297,497	\$ 7,993,501	\$ 7,597,063
Excess of revenue over expenses for operations	40,005	-	-	40,005	42,733
Endowment contributions	-	-	2,652	2,652	1,200
Internally restricted funds drawn	-	(321,000)	-	(321,000)	-
Amortization of investment in capital assets	(4,529)	-	-	(4,529)	(3,718)
Investment income allocations	-	259,776	17,491	277,267	151,616
Change in unrealized gain on investments	(232,517)	(321,584)	-	(554,101)	204,607
NET ASSETS, END OF THE YEAR	\$ 2,429,664	\$ 2,686,491	\$ 2,317,640	\$ 7,433,795	\$ 7,993,501

(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, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ (192,512)	\$ 200,119
Adjustments for:		
- amortization of deferred capital contributions	(3,073,863)	(3,102,331)
- amortization of investment in capital assets	(4,529)	(3,718)
- deferred operating contributions recognized as revenue	(1,825,289)	(1,174,783)
- amortization of capital assets	3,078,392	3,106,049
- change in unrealized (gain) loss on investments	232,517	(157,386)
	<u>(1,785,284)</u>	<u>(1,132,050)</u>
Net changes in non-cash working capital balances from operations	(1,506,398)	337,364
Cash provided by (used in) operating activities	<u>(3,291,682)</u>	<u>(794,686)</u>
INVESTING AND FINANCING ACTIVITIES		
Decrease in demand loan	-	(1,202,495)
Acquisition of capital assets	(4,170,636)	(3,626,602)
Increase in endowments	20,143	18,348
Allocated investment income to internally restricted net assets	259,776	134,468
Deferred operating contributions and allocated investment income	774,182	439,461
Capital contributions used during the year	5,158,060	3,830,147
Internally restricted funds used during the year	(321,000)	-
Decrease in cost of investments	2,673,262	106,575
Cash provided by (used in) investing and financing activities	<u>4,393,787</u>	<u>(300,098)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	1,102,105	(1,094,784)
CASH AT BEGINNING OF THE YEAR	607,750	1,702,534
CASH AT END OF THE YEAR	<u>\$ 1,709,855</u>	<u>\$ 607,750</u>

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

7

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 Tourism, Culture and Sport and receives additional support from the City of Hamilton (the "City"), the Regional Municipality of Halton, the RBG members, the Auxiliary of the Royal Botanical Gardens (the "Auxiliary"), many corporations, foundations and individuals.

The Auxiliary is incorporated under the laws of Ontario as a separate corporation without share capital and was established to promote the objects and interests of the RBG through volunteer service. The activities of the Auxiliary are undertaken with the approval of the Board of Directors (the "Board") of the RBG and any profits are to be used by the RBG. The accounts of the Auxiliary are not consolidated in these financial statements.

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.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 their estimated fair market value at the date of donation. The RBG received donations in-kind of \$403,140 (2017: \$43,841).

(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, 2018

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

(f) Inventory

Inventory, consisting of 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 \$436,663 (2017: \$411,433) 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
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.

Construction in progress is not amortized until the assets are available for use.

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, 2018

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.

	2018	2017
Cost of investments at December 31	\$ 12,902,768	\$ 15,576,030
Unrealized gain on investments	1,331,782	2,841,466
Market value of investments at December 31	\$ 14,234,550	\$ 18,417,496

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

Cash, cash equivalents and accrued interest	\$ 1,035,225	\$ 1,222,649
Fixed income securities	5,068,647	6,068,317
Equity securities	8,130,678	11,126,530
	\$ 14,234,550	\$ 18,417,496

4. DEMAND LOAN

The RBG has the following facilities available:

- Credit facility #1 - Overdraft lending account up to \$2,000,000 for operating requirements. The facility bears interest at prime plus 0.5%. As at December 31, 2018, the facility was not drawn upon (2017: not drawn).
- Credit facility #2 - Demand loan up to \$2,000,000 to provide bridge financing for capital projects as required. The facility bears interest at prime plus 0.75% and is repayable at the discretion of RBG. As at December 31, 2018, the facility was not drawn upon (2017: 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; and
- 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, 2018 is \$3,007,774 (2017: \$3,207,013), 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, 2018

5. CAPITAL ASSETS

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

	2018	2017
Balance, beginning of the year	\$ 41,738,575	\$ 41,218,022
Purchase of capital assets funded by deferred capital contributions	4,138,206	2,708,475
Purchase of internally funded capital assets	32,430	918,127
Amortization of capital assets	(3,078,392)	(3,106,049)
Balance, end of the year	\$ 42,830,819	\$ 41,738,575

Amortization of capital assets agrees to amortization of deferred capital contributions of \$3,073,863 (2017: \$3,102,331) and amortization of investment in capital assets of \$4,529 (2017: \$3,718), which has been recognized as revenue during the year.

Capital assets consist of the following:

	2018		2017	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 876,681	\$ -	\$ 876,681	\$ 876,681
Buildings	33,851,765	14,783,226	19,068,539	19,914,831
Mechanical equipment	5,255,532	2,676,091	2,579,441	1,514,194
Gardens and natural area infrastructures	25,312,819	7,325,670	17,987,149	15,638,401
Roadways and parking lots	3,752,459	2,298,482	1,453,977	351,577
Vehicles and equipment	2,955,944	2,836,420	119,524	294,833
Furniture and fixtures	2,887,740	2,187,786	699,954	848,730
Computer equipment	2,230,404	2,184,850	45,554	35,246
Media stock	252,244	252,244	-	-
Exhibits	985,806	985,806	-	41,667
Construction in progress	-	-	-	2,222,415
	\$ 78,361,394	\$ 35,530,575	\$ 42,830,819	\$ 41,738,575

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2018	2017
Balance, beginning of the year	\$ 39,710,818	\$ 38,983,002
Capital contributions used during the year	5,158,060	3,830,147
Amortization of deferred capital contributions	(3,073,863)	(3,102,331)
Balance, end of the year	\$ 41,795,015	\$ 39,710,818

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. DEFERRED OPERATING CONTRIBUTIONS

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

	2018	2017
Balance, beginning of the year	\$ 7,909,392	\$ 8,463,174
Contributions received from corporate and private sources	1,200	2,036
Amount drawn from funds during the year	(1,825,289)	(1,174,783)
Investment income allocation	507,746	299,741
Restricted investment income earned on endowments	265,236	137,684
Change in market value of investments	(955,576)	181,540
	<u>(2,006,683)</u>	<u>(553,782)</u>
Balance, end of the year	<u>\$ 5,902,709</u>	<u>\$ 7,909,392</u>

Deferred operating contributions consist of the following major external restrictions:

Operations	\$ 69,961	\$ 176,060
Gardens and natural lands	3,736,448	5,328,371
Collections	288,639	302,109
Science and education	1,106,402	1,169,601
Staffing and administration	701,259	933,251
	<u>\$ 5,902,709</u>	<u>\$ 7,909,392</u>

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

	Unrestricted	Invested in capital assets	Total
Balance, beginning of the year	\$ 1,466,786	\$ 1,159,919	\$ 2,626,705
Excess of revenues over expenses for operations	40,005	-	40,005
Purchase of internally funded capital assets	(32,430)	32,430	-
Amortization of investment in capital assets	-	(4,529)	(4,529)
Funds received relating to prior years' internally funded capital assets	1,026,953	(1,026,953)	-
Change in unrealized gain on investments	(232,517)	-	(232,517)
Balance, end of the year	<u>\$ 2,268,797</u>	<u>\$ 160,867</u>	<u>\$ 2,429,664</u>

Amounts pledged towards the Rock Garden campaign are not recognized until the cash is received. As cash is received in future periods, amounts will be transferred from net assets invested in capital assets back to unrestricted net assets. The contributions received will be recorded in deferred capital contributions on the statement of financial position and amortized over the life of the Rock Garden assets.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. INTERNALLY RESTRICTED NET ASSETS

During the year, \$321,000 (2017: nil) was drawn from the internally restricted net assets. The donation was internally restricted by the RBG Board of Directors for maintaining the garden areas and strategic initiatives. The RBG Board approves the use of these funds. No unrestricted donations have been internally restricted by the RBG Board during the year.

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.

	2018	2017
Balance, beginning of the year	\$ 2,297,497	\$ 2,279,149
Endowments received from private sources	2,652	1,200
Investment income required to be held as endowment	17,491	17,148
Balance, end of the year	\$ 2,317,640	\$ 2,297,497

11. AUXILIARY OF THE ROYAL BOTANICAL GARDENS

The accounts of the Auxiliary are presented separately and are not consolidated in these financial statements. Due to the nature of the operations, all of the net assets of the Auxiliary represent unrestricted funds. During the year, the Auxiliary made donations of \$95,806 (2017: \$25,500) to the RBG.

During the year, the members of the Auxiliary approved its dissolution as a corporate entity.

12. 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.

13. RECLASSIFICATION

Certain 2017 comparative amounts were reclassified to conform to the current year's financial statement presentation.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

14. REVENUE

	2018	2017
Admissions, memberships and other program revenue consists of:		
Admissions and special events	\$ 1,662,647	\$ 1,503,051
Membership fees	1,126,210	1,000,460
Food and beverage	373,622	392,933
Rentals	487,268	559,240
Garden shop sales	878,140	813,696
Other income	124,005	124,702
Total admissions, memberships and other programs	\$ 4,651,892	\$ 4,394,082
Mandated activities consists of:		
Horticulture - gardens, parklands and collections	\$ 830,000	\$ 760,401
Conservation and environmental programs	373,113	568,487
Scientific and research programs	559,961	494,839
Education programs	1,197,864	1,871,569
Total mandated activities	\$ 2,960,938	\$ 3,695,296
Donations and grants received during the year	\$ 2,692,277	\$ 3,791,550
Add:		
Restricted donations received in the prior year recognized into development - donations revenue	246,612	99,133
Less:		
Grants deferred and recognized into mandated activities revenue once qualifying expenses incurred	(1,000,652)	(1,576,207)
Green Angel donations recognized in deferred revenue	(109,065)	(59,817)
Restricted donations recognized in deferred revenue	(109,992)	(274,258)
Restricted donations recognized in deferred operating contributions and endowments	(3,852)	(3,236)
Restricted donations recognized in deferred capital contributions	(986,064)	(1,213,301)
Total development - donations	\$ 729,264	\$ 763,864
Investment income earned during the year	\$ 1,428,232	\$ 922,258
Less: Investment management fees	(104,017)	(107,449)
Net investment funds available for allocation	1,324,215	814,809
Allocation to deferred operating contributions	(772,982)	(437,425)
Allocation to internally restricted net assets	(259,776)	(134,468)
Allocation to endowments	(17,491)	(17,148)
Total investment income	\$ 273,966	\$ 225,768

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018.

(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.

(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.

(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.

(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, 2018, bank indebtedness of \$1,690 (2017: cash of \$21,395) is recorded in US dollars and converted into Canadian dollars. Approximately 39% (2017: 40%) 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.

RBG Board of Directors, 2018

Officers of the Board

Ruth Lee – Chair

Cliff Carson – Vice Chair

Appointed by Council, City of Hamilton

Councillor Aidan Johnson (December 2014 - November 2018)

Keith Scott (May 2015 – June 2019)

Jiemin Zheng (May 2015 – November 2018)

Appointed by Council, Regional Municipality of Halton

Councillor Jane Fogal (December 2014 – November 2018)

Councillor Sean O’Meara (December 2014 to November 2018)

Gavin Sheppard (February 2015 – June 2019)

Peter Thoem (February 2015- November 2018)

James Tourangeau (February 2015 – November 2018)

Appointed by the Governor General-in Council, Canada

Kevin Brady (June 2013 to June 2019)

Andrew Connor (September 2016 to June 2018)

Appointed by the Lieutenant-Governor-in Council, Province of Ontario

Larissa Fenn (December 2015 to December 2018)

Peter Hargreave (April 2014 to April 2020)

RBG Appointees

Gordon Albin (June 2007 – June 2018)

Leslie Bullock (June 2007 - June 2018)

Clifford Carson (September 2010 - June 2019)

David Conrath (March 2015 – June 2019)

Ruth Lee (March 2000 – June 2019)

Patrick Deane, President & Vice Chancellor, McMaster University (March 2011 – June 2019)

Representing the RBG Volunteers

Deborah Harasym (March 2018 to June 2019)