

ANNUAL

SUMMARY

2019



ROYAL
BOTANICAL
GARDENS

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.

With the support of our funders, members, donors and volunteers, RBG's activities include:

- Protecting and restoring 2,450 acres of nature sanctuaries containing environmentally sensitive habitats where over 50 listed species-at-risk have made their home;
- Teaching the public and educating school children about the importance of plants and nature, and how to be environmental stewards in their community;
- Creating display gardens which beautify our regions' landscape and teaching 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);
- Engaging in research projects and networks to pursue environmental sustainability;

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

Funders

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





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Board Chair and CEO Message

2019 represented the final year of an Ontario Trillium Foundation supported initiative which was to help grow our volunteer efforts here at RBG. This was a three-year project that supported the formal transition from the long-appreciated and important Auxiliary of Royal Botanical Gardens to Royal Botanical Gardens Volunteers. The group has almost quadrupled in size in short order and has been hugely successful as we have volunteer help in almost every area of our operation.

RBG leveraged the momentum of the 2017 150th celebrations as our visitor and membership numbers continued to grow. Our attendance numbers exceeded 2018 which we are very encouraged to see. As seems to be the case each year, the weather continued to challenge us, however, we are learning to adapt as best we can. We also continued to see significant growth in visitors to our natural land areas. The trails were very busy on most weekends which resulted in our trailheads parking revenue increasing. Of course, with increased traffic, there is directly related increased maintenance costs.

In 2019 we experienced another year of record setting high water levels for Lake Ontario that saw our natural lands crew having to work diligently on restoring shorelines, trails and drainage ditches which were already washed out and damaged from the previous year. Although all the wet weather is good for the plants, many areas were too wet to get to which led to delays in garden area maintenance.

That said, we are extremely proud to report that both our gardens and natural land areas continue to improve each year and our customer and events programming are always expanding. This includes our performing arts offerings along with additional sculpture in the gardens.

We exceeded the \$1 million level in membership revenues again in 2019, with memberships growing to over 20,000 people. Total attendance in 2019 was 366,593 (this number does not include individuals who are able to gain access to certain areas in our natural lands for free) which is a 5.5% increase over 2018. Our revenue from general admission was \$1.14 million in 2019, and while similar to 2018's number, it represents more than double the value of six years prior.

Royal Botanical Gardens was very pleased to host The Honourable Lisa MacLeod, Minister of Heritage, Sport, Tourism and Culture Industries for a visit in September. Minister MacLeod was here to make an announcement on our Repair and Rehabilitation Capital Funding. RBG is most appreciative of this support from the Province. It was wonderful to have the opportunity to show our Minister parts of this incredible provincial asset.

As this report is written, the world is dealing with unprecedented circumstances of the COVID-19 pandemic. Like most other organizations, RBG is adjusting to the circumstances in every way possible for what will surely not be the year as planned.

Through the support of Government of Ontario through the Ministry of Heritage, Sport, Tourism and Culture Industries, 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 a world-class tourism destination.



Cliff Carson, Board Chair
Royal Botanical Gardens



Mark Runciman, CEO
Royal Botanical Gardens

Board of Directors

Officers of the Board

Cliff Carson—Chair

Keith Scott—Vice-Chair

Appointed by Council, City of Hamilton

Keith Scott (May 2015–November 2022)

Councillor Lloyd Ferguson (December 2018–November 2022)

Appointed by Council, Regional Municipality of Halton

Larissa Fenn (June 2019–November 2022)

Councillor Kelvin Galbraith (December 2018–November 2022)

Additional Members in Place of Appointments
by the Governor-General-in-Council
Kevin Brady (June 2013–September 2022)

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

Peter Hargreave (April 2014–April 2020)

RBG Appointees

Clifford Carson (September 2010–June 2020)

David Conrath (March 2015–June 2020)

David Farrar, President & Vice Chancellor

McMaster University (March 2011–June 2019)

Representing RBG Volunteers

Frances Neufeld (May 2019–May 2020)



Strategic Direction



Royal Botanical Gardens Board of Directors approved a five-year Strategic Plan late in 2014. Many initiatives have started and will carry-on through 2020 as we extended the plan by one year to allow for completion of RBG's master plan. Although there have been some subtle changes to some action items, we do not expect any major changes to the overall plan for this period. The Board receives regular updates on progress. The goals and actions listed below are all on-going.

Strategic Priorities

1. The RBG Guest Experience
2. Financial Sustainability
3. Environmental Leadership
4. Governance and Leadership

1. The RBG Guest Experience

GOAL: Provide a legendary guest experience.

ACTIONS:

1. Provide a comprehensive customer service training program that results in a “wow” guest experience at RBG
2. Implement a work schedule for RBG’s team that has team members available to enhance the guest experience at all times.
3. Create a complete and consistent signage and interpretation experience at all points of entry and throughout RBG (including digital points of entry).
4. Obtain, analyze, and consider guest feedback on an ongoing basis to assist in improving the guest experience.
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 ensures guest parking availability and provides alternative accessibility options including but not limited to transit, cycling, walking and arriving by car.
6. Research public transit opportunities with key stakeholders in our area to provide improved access for our guests.
7. Provide guest amenities to enhance the guest experience.

2. Financial Sustainability

GOAL: Become financially sustainable by 2020 — RBG will have sufficient revenue to achieve its strategic goals.

ACTIONS:

1. Create new revenue streams for RBG. 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 includes the feasibility of conducting a major capital fundraising campaign to cover capital costs.
2. Develop and implement an infrastructure renewal program for all assets of RBG in order to maintain facilities in a state of good repair.
3. Explore partnerships with the private sector and/or a university to leverage RBG expertise and physical assets in botanical and environmental science and research.
4. Identify surplus assets that should be sold.
5. Conduct an annual review of RBG businesses (activities) with a view to improving long-term performance.
6. Develop and implement a comprehensive donor strategy.

3. Environmental Leadership

GOAL: Take leadership on environmental stewardship and education locally, provincially, nationally and internationally.

ACTIONS:

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

4. Governance & Leadership

GOAL: Maximize all human resources (RBG’s team) to support the strategic directions of RBG.

ACTIONS:

1. Define the structure and composition of the Board of Directors.
2. Determine the need for a separate fundraising arm or alternative option.
3. Revise the organizational structure to facilitate the implementation of the strategic plan.
4. Transition from a management board to a governance board.
5. Put a succession plan in place for critical management and board positions.
6. Provide key information to RBG staff, members, guests and the public.
7. Maximize the involvement of the Auxiliary in the new strategic directions.

It should be noted that some of the goals and actions contained in the plan align with Ontario government's key priorities such as investing in infrastructure, improving quality of life for families and prudent balanced-budget plans.

Many of the above noted actions are either complete, well underway, or are in the early stages of development. We wish we could move faster on each one, however, it is challenging to address all actions while running the organization at the same time. The lack of resources has meant that staff have had to undertake additional responsibilities, although the plan actions really have required dedicated attention

That said, some strategic achievements that have moved considerably in 2019 are:

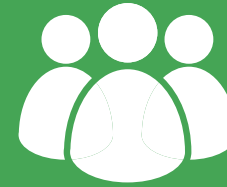
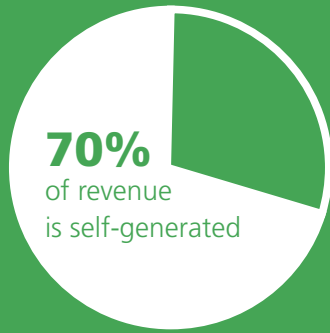
- RBG's Master plan is well under way and should be completed in early 2020.
- A customer service plan was developed and rolled out to the organization. This included full training of all RBG staff.
- A new RBG brand has been developed.
- A succession plan has been developed.
- The Auxiliary of RBG was officially dissolved in 2019 and RBG's volunteers are working within the organization. The number of volunteers has grown ever since.
- An RBG Climate Change Resiliency Plan has been rolled out.
- Several new partnerships have been established to support self-generated revenues.

RBG's organizational structure is evolving, with more emphasis placed on providing a high-quality tourism and cultural experience for visitors.

RBG continues to review its significant programs as it strives to achieve efficiencies, maintain properties, provide enjoyable visitor experiences, and invest in revenue-generating and value-added activities, all while meeting a very diverse and important environmental mandate for local communities, Ontario and beyond.



2019



5.35%
increase in visitation



10% increase
in revenue from events,
programs and admissions



30%
decrease
in use of
restricted
funds



52,395 volunteer
hours (increase of
1,000 hours)



5,574
volunteer hours
of support to
horticulture
activities



72% more attendees
to Winter Lights
at the Rock Garden



2 days
to sell
out Santa
Experience



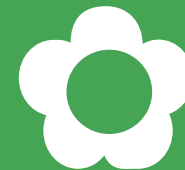
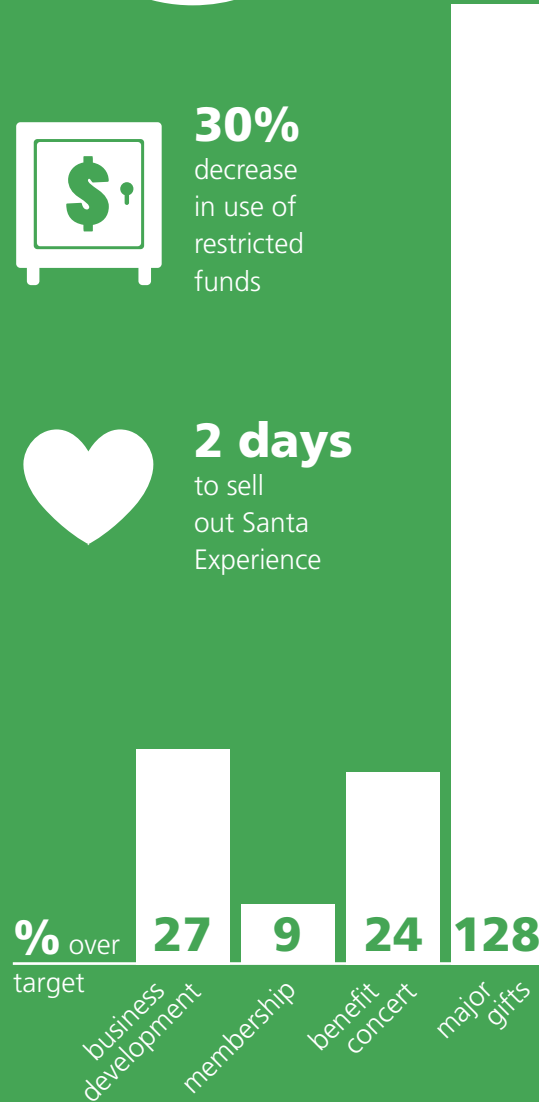
25,000
people
engage in
RBG's history
and archives
programs



20%
increase in
guests connected
through
interpretive
programs



12,000 memberships
20,600
members represented



78 endangered plant species
in RBG's living collections



52 species at risk of
extinction live in RBG's
nature sanctuaries

Royal Botanical Gardens Targets and Results

Financial Performance

While revenue from operations (admissions, programs and events) was below our ambitious targets by 1.7%, we exceeded the 2018 actual numbers by 10%.

RBG uses restricted funds made up of prior year donations to maintain our level of operations. In 2019, the use of the restricted funds was 30% lower than budget.

Sales and Attendance Revenue

Overall revenue was \$79k under budget, just shy of the projected increase of 10% over 2018. As well, the first quarter was significantly under budget due to several large storm events and an underperforming winter exhibit *Spiders Alive!*. Through the core season from May to August, we saw a nice recovery and overall increase in revenue. Top areas driving the increase included events, catering, rentals and retail gift shop.

Visitation

Visitation increased by 5.35% compared to the targeted increase of 11%. Similar to revenue, Q1 started off slow and behind budget, due to major storms and an underperforming winter exhibit. However, the core season attendance was very strong bolstered by a successful marketing campaign Come to your Senses which saw attendance increase significantly from May to August, including an increase in tourists. Holiday Traditions saw an unprecedented number of visitors. The Santa Experience sold out in just two days, and attendance grew by 72% to Winter Lights at the Rock Garden this year.

There was also a higher percentage of visitors converted to members which contributes to the decrease in general admission. This also indicates that we need to continue to drive new visitors here to grow the overall customer base.

Business Development (Membership and Donations)

Revenues were 27% over target and over \$500,000 ahead of 2018 results. Membership continued to grow reaching over 12,000 memberships (representing over 20,600 members) and achieving 9% over budget. Our fundraising concert was a great success, bringing in over \$167,000, reaching 24% over budget. Major gifts came in at an astounding 128% over budget.

All revenue lines in business development came in over budget, putting us in a strong position moving into 2020.

Volunteers

2019 marked our first full year of RBG's new model for volunteerism. Our consistent volunteer team continued to grow to a record size with an 11% increase over 2018. These are the volunteers most critical to operations at RBG, as many volunteer several times a week and contribute essential skills and support. In 2019, the attendance of our occasional volunteers (those who come out once or twice per year) was effected by poor weather on some of our largest volunteer days (e.g. Earth Day). 2019 marked another record-breaking year for RBG volunteer service hours, totalling 52,395 hours, one thousand more than in 2018.

Human Resources

Key goals for HR in 2019 included preparation for labour negotiations with CUPE who represents RBG's outside workers, and the selection of a benefit broker to ensure RBG's plan is cost effective and minimizes risk. In addition, we utilized the Guarding Minds at Work resource to assess employees' psychological health and safety at RBG. Strategies will be developed in 2020 to address results.



Sustainability Efforts

RBG continued to improve sustainable day-to-day operations and focused on of reducing water consumption, greenhouse gas reduction, and waste diversion. 2019 results included:

- 16% annual reduction of water consumption from 2018
- \$3,782.63 in saved water costs with water monitoring equipment
- 54% of waste disposed of at RBG has been diverted from landfill sites
- Continued efforts to eliminate the use of single-use plastics
- Continued planning towards goal of reducing greenhouse gas (GHG) emissions by 20% of 2017 baseline emissions by 2027
- Procurement of electric bike for staff use

Mandated Activities

Science

The science department continued research projects to combat invasive species, including testing burns to control the invasive grass *Poa nemoralis*, and led the interdepartmental committee developing RBG's first strategy to detect and control invasive species. The department also began development of a new endangered species strategy for RBG, which addresses Canadian and global endangered species as well as rarity among horticultural collections and helps us advance our goal of protecting endangered plants.

Generating and disseminating plant knowledge is an important goal for the department. Herbarium staff participated in educational events aimed to bring awareness to plants, including during annual festivals and through specialist and professional plant identification programs. With the support of the Canadian Department of Heritage, we were able to upgrade protection of our collections against risks like insect damage and fire. Dr. James Pringle, our plant taxonomist, continued to explore the Gentian family, naming new species in 2019.

With support from the Ontario Trillium Foundation, science and education departments have been leading an exciting project to research and present RBG's own history and landscape to the public, and to make our archival collections more accessible. By the end of 2019 over 25,000 people had participated in the program, which included a second year of innovative The Spirits of Paradise theatrical presentations.

Horticulture

In keeping with our department's operational goals, horticulture contributed to maintaining the collections and displays within our glasshouses in 2019 by making improvements to the glazing, ventilation and heating and cooling systems in the Mediterranean Garden, propagation greenhouses, and The Breezeway. In addition, the living wall feature in the Camilla and Peter Dalglish Atrium was completely renovated — the tropical plants and the growing media were replaced, and improvements were made to the pumps and general waterworks.

Within our goal to monitor and revise our hazard tree practices, the Hendrie Park Red Oak Management Plan was conceived and executed for a significant heritage tree in that garden. It provided a Level 3 inspection, deadwood abatement, removal of a conflicting pathway, turf removal, grading, mulching, and installation of a bollard and rope barrier with interpretive signage. Collections policies and maintenance plans were advanced through an extensive rose cultivar evaluation review program within RBG's sustainable Rose Garden which collects data on disease resistance, landscape value, and bloom abundance and fragrance to guide cultivar acquisition and sustainability, and regional recommendations to visitors, the landscape trade and interested professionals.

A total of 2,973 volunteer hours were spent working in our outdoor horticultural gardens this past year. In addition, volunteers contributed 1,421 hours within our interior glasshouse spaces, and 253 hours were reported from our Memorial Watchers group. Finally, numerous volunteers spent 927 hours on other projects, such as assisting with plant inventories and plant collections information gathering.

Science and Horticulture — Analysis of Plant Records

The science and horticulture departments together reported on a specific performance measure, the number of living plant species in RBG's collections that are endangered. Analysis of RBG's Plant Records database indicates that a total of 78 plant species in RBG's living collection in 2019 were listed as at some degree of threat by the International Union for the Conservation of Nature's Global Red List of Plants (2015). This includes one species that is Extinct in the wild, 13 which are Critically-Endangered, 30 which are Endangered, 18 which are Vulnerable, and 16 which are Near Threatened.

Preparation of a strategy for endangered species conservation at RBG includes assessment of the potential to protect more species in coming years, as appropriate opportunities and available space are assessed. In addition to the 78 endangered species in the living collections, an additional 52 species of plants and animals that live within the nature sanctuaries are listed as being at risk of extinction in Canada.

Education

Education plays the important role of connecting people with plants and our landscape by telling stories in unique and engaging ways while enriching the experience of our guests. We launched 2019 with our *Spiders Alive!* exhibit and offered a wide range of educational and interpretive programming throughout the gardens, at events and from a distance. We connected with over 129,000 guests through interpretive programming, growing our reach by 20% over 2018.

We have several notable highlights from 2019. Barb McKean, RBG's head of education, was honoured by Ontario Nature with the Richards Education Award for her outstanding contributions to outdoor education. Our interactive virtual programs have reached every Canadian province and territory as well as every state in mainland United States. These programs, in both English and French, have provided equal opportunities to students in urban centres and some of the most remote areas in Canada, thanks to our partnership with Connected North/Taking Global and funding from the Natural Sciences and Engineering Research Council of Canada (NSERC).

Through our Heritage and Heroes project, we shared stories of our cultural landscape and rich history. Here are three highpoints from this project in 2019.

1. We shifted our award-winning Spirits of Paradise moving-theatre experience to Hendrie Park to feature more people from our area's history.
2. We hosted a sold-out symposium to celebrate RBG founder Thomas Baker McQuesten.
3. We developed A Place to Grow, a new small travelling exhibit about the history of Ontario seed companies that will be touring across the province.

Natural Areas

Record-breaking high lake levels again challenged nature trail access and conservation projects. A dozen trails and the boathouse were closed during peak water levels. To adapt to these conditions, trail resurfacing projects were completed at multiple locations in Cootes Paradise and Hendrie Valley. The feature accomplishment was a new stair/observation platform combination in Hendrie Valley's North Bridle Trail on a heavily travelled and slippery hill. In addition, the Princess Point parking lot was reconstructed with the addition of an accessible trail.

Upland conservation projects were diverse and featured Phase 1 of the Churchill Parks "pit and mound" restoration in preparation for reforestation, as well as reforestation at the park's north end. Within the marshes, deep water allowed carp access into many restoration sites and precluded marsh restoration replanting. At the same time, the water made for extensive fish and wildlife breeding habitat and assisted with invasive non-native grass removal in the deeply flooded floodplains. *Phragmites* is now essentially eliminated from the property, save for the west edge of Cootes Paradise, and European Manna Grass is now greatly reduced. Turtle conservation was complemented by the protection of dozens of nests, as well as the release of another nest of Blanding's Turtle hatchlings.



**ROYAL
BOTANICAL
GARDENS**
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Charitable Registration: 13350 0850 RR0001



Financial Summary

Risk Discussion

Risk is evaluated regularly and reported and reviewed quarterly by the Audit and Finance Committee. The reports include a description of the risk, an impact and scope description, likelihood of the risk, mitigation strategy and overall risk assessment. The risk mitigation involves development of mitigation strategies designed to manage, eliminate or reduced risk to an acceptable level.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019



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, 2019, 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, 2019, 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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Brownlow Partners

Ancaster, Ontario
March 19, 2020

Chartered Professional Accountants
Licensed Public Accountants

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

ASSETS

	2019	2018
CURRENT ASSETS		
Cash	\$ 1,101,089	\$ 1,709,855
Accounts receivable	1,340,410	480,258
Government remittances receivable	132,702	182,028
Inventory	232,677	215,023
Prepaid expenses and deposits	213,012	150,421
	<u>3,019,890</u>	<u>2,737,585</u>
INVESTMENTS (note 3)	13,724,234	14,234,550
CAPITAL ASSETS (note 5)	42,478,164	42,830,819
	<u>\$ 59,222,288</u>	<u>\$ 59,802,954</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,897,399	\$ 2,044,148
Deferred revenue	2,125,619	2,076,091
Deferred capital funding	520,885	1,087,156
Deferred operating contributions (note 7)	5,502,308	5,902,709
	<u>10,046,211</u>	<u>11,110,104</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	41,558,345	41,795,015
	<u>51,604,556</u>	<u>52,905,119</u>
NET ASSETS		
Unrestricted (note 8)	2,247,892	1,893,704
Internally restricted (note 9)	3,033,509	2,686,491
Endowments (note 10)	2,336,331	2,317,640
	<u>7,617,732</u>	<u>6,897,835</u>
	<u>\$ 59,222,288</u>	<u>\$ 59,802,954</u>

Commitments and contingencies (note 11)
Prior period adjustment (note 13)

Approved by the Board



Director



Director

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

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
REVENUE		
Operating grants		
Ministry of Heritage, Sport, Tourism and Culture Industries	\$ 4,036,000	\$ 4,036,000
City of Hamilton	634,715	625,335
Regional Municipality of Halton	786,756	771,329
	<u>5,457,471</u>	<u>5,432,664</u>
Admissions, memberships and other program revenue (note 14a)	5,213,836	4,651,892
Mandated activities (note 14b)	3,193,197	2,998,480
Development - donations (note 14c)	1,080,115	729,366
Investment income (note 14d)	210,050	273,996
Amortization of deferred capital contributions (note 5)	3,150,755	3,078,392
	<u>18,305,424</u>	<u>17,164,790</u>
EXPENSES		
Admissions, memberships and other program expenses	2,852,751	2,692,441
Maintenance and equipment	2,719,588	2,553,630
Administration	2,969,102	2,401,735
Development fundraising	907,716	813,523
Mandated activities		
Horticulture - gardens, parklands and collections	2,468,491	2,327,381
Conservation and environmental programs	1,206,148	1,246,086
Scientific and research programs	674,507	602,715
Education programs	1,322,117	1,408,882
Amortization of capital assets (note 5)	3,150,755	3,078,392
	<u>18,271,175</u>	<u>17,124,785</u>
EXCESS OF REVENUE OVER EXPENSES FOR OPERATIONS	34,249	40,005
Change in unrealized gain (loss) on investments	325,279	(232,517)
EXCESS (DEFICIENCY) ADDED TO NET ASSETS FOR THE YEAR	\$ 359,528	\$ (192,512)

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

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Unrestricted (note 8)	Internally restricted (note 9)	Endowments (note 10)	Total 2019	Total 2018
NET ASSETS, BEGINNING OF THE YEAR	\$ 1,893,704	\$ 2,686,491	\$ 2,317,640	\$ 6,897,835	\$ 7,993,501
Prior period adjustment (note 13)					(535,960)
Excess of revenue over expenses for operations	34,249	-	-	34,249	40,005
Endowment contributions	-	-	850	850	2,652
Internally restricted funds drawn	-	-	-	-	(321,000)
Amortization of investment in capital assets	(5,340)	-	-	(5,340)	(4,529)
Investment income allocations	-	161,472	17,841	179,313	277,267
Change in unrealized gain on investments	325,279	185,546	-	510,825	(554,101)
NET ASSETS, END OF THE YEAR	\$ 2,247,892	\$ 3,033,509	\$ 2,336,331	\$ 7,617,732	\$ 6,897,835

(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, 2019

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ 359,528	\$ (192,512)
Adjustments for:		
- amortization of deferred capital contributions	(3,145,415)	(3,073,863)
- amortization of investment in capital assets	(5,340)	(4,529)
- deferred operating contributions recognized as revenue	(1,370,726)	(1,825,289)
- amortization of capital assets	3,150,755	3,078,392
- change in unrealized (gain) loss on investments	(325,279)	232,517
	<u>(1,336,477)</u>	<u>(1,785,284)</u>
Net changes in non-cash working capital balances from operations	(1,554,500)	(1,506,398)
Cash provided by (used in) operating activities	<u>(2,890,977)</u>	<u>(3,291,682)</u>
INVESTING AND FINANCING ACTIVITIES		
Acquisition of capital assets	(2,798,100)	(4,170,636)
Increase in endowments	18,691	20,143
Allocated investment income to internally restricted net assets	161,472	259,776
Deferred operating contributions and allocated investment income	407,972	774,182
Capital contributions used during the year	2,908,745	5,158,060
Internally restricted funds used during the year	-	(321,000)
Decrease in cost of investments	1,583,431	2,673,262
Cash provided by investing and financing activities	<u>2,282,211</u>	<u>4,393,787</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	(608,766)	1,102,105
CASH AT BEGINNING OF THE YEAR	<u>1,709,855</u>	<u>607,750</u>
CASH AT END OF THE YEAR	<u>\$ 1,101,089</u>	<u>\$ 1,709,855</u>

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

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. DESCRIPTION

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

The RBG is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations applied within the framework of the significant accounting policies summarized below:

(a) Revenue Recognition

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

Self-funded contributions for depreciable capital assets are deferred and amortized over the life of the related assets. Self-funded capital asset contributions that have not been expended are recorded as part of net assets invested in capital assets on the statement of financial position.
- (iv) Endowment contributions are recognized as a direct increase in endowment net assets in the year in which they are received.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 \$197,104 (2018: \$403,140).

(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, 2019

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 \$496,201 (2018: \$436,663) 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, 2019

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.

	2019	2018
Cost of investments at December 31	\$ 11,319,337	\$ 12,902,768
Unrealized gain on investments	2,404,897	1,331,782
Market value of investments at December 31	\$ 13,724,234	\$ 14,234,550

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

Cash, cash equivalents and accrued interest	\$ 959,765	\$ 1,035,225
Fixed income securities	4,391,045	5,068,647
Equity securities	8,373,424	8,130,678
	\$ 13,724,234	\$ 14,234,550

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, 2019, the facility was not drawn upon (2018: 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, 2019, the facility was not drawn upon (2018: 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, 2019 is \$3,617,066 (2018: \$3,007,774), 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, 2019

5. CAPITAL ASSETS

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

	2019	2018
Balance, beginning of the year	\$ 42,830,819	\$ 41,738,575
Purchase of capital assets funded by deferred capital contributions	2,798,100	4,138,206
Purchase of internally funded capital assets	-	32,430
Amortization of capital assets	(3,150,755)	(3,078,392)
Balance, end of the year	\$ 42,478,164	\$ 42,830,819

Amortization of capital assets agrees to amortization of deferred capital contributions of \$3,145,415 (2018: \$3,073,863) and amortization of investment in capital assets of \$5,340 (2018: \$4,529), which has been recognized as revenue during the year.

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 876,681	\$ -	\$ 876,681	\$ 876,681
Buildings	33,851,765	15,629,520	18,222,245	19,068,539
Mechanical equipment	6,119,860	2,960,476	3,159,384	2,579,441
Gardens and natural area infrastructures	25,799,480	8,603,448	17,196,032	17,987,149
Roadways and parking lots	4,164,671	2,496,410	1,668,261	1,453,977
Vehicles and equipment	3,900,710	3,050,421	850,289	119,524
Furniture and fixtures	2,977,872	2,472,600	505,272	699,954
Computer equipment	2,230,404	2,230,404	-	45,554
Media stock	252,244	252,244	-	-
Exhibits	985,806	985,806	-	-
	\$ 81,159,493	\$ 38,681,329	\$ 42,478,164	\$ 42,830,819

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2019	2018
Balance, beginning of the year	\$ 41,795,015	\$ 39,710,818
Capital contributions used during the year	2,908,745	5,158,060
Amortization of deferred capital contributions	(3,145,415)	(3,073,863)
Balance, end of the year	\$ 41,558,345	\$ 41,795,015

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. DEFERRED OPERATING CONTRIBUTIONS

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

	2019	2018
Balance, beginning of the year	\$ 5,902,709	\$ 7,909,392
Contributions received from corporate and private sources	850	1,200
Amount drawn from funds during the year	(1,370,726)	(1,825,289)
Investment income allocation	241,896	507,746
Restricted investment income earned on endowments	165,226	265,236
Change in market value of investments	562,353	(955,576)
	(400,401)	(2,006,683)
Balance, end of the year	\$ 5,502,308	\$ 5,902,709

Deferred operating contributions consist of the following major external restrictions:

Operations	\$ 63,230	\$ 69,961
Gardens and natural lands	3,225,426	3,736,448
Collections	373,292	288,639
Science and education	1,157,496	1,106,402
Staffing and administration	682,864	701,259
	\$ 5,502,308	\$ 5,902,709

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

	Unrestricted	Invested in capital assets	Total
Balance, beginning of the year	\$ 1,732,837	\$ 160,867	\$ 1,893,704
Excess of revenues over expenses for operations	34,249	-	34,249
Amortization of investment in capital assets	-	(5,340)	(5,340)
Funds received relating to prior years' internally funded capital assets	103,546	(103,546)	-
Change in unrealized gain on investments	325,279	-	325,279
Balance, end of the year	\$ 2,195,911	\$ 51,981	\$ 2,247,892

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, 2019

9. INTERNALLY RESTRICTED NET ASSETS

During the year, no amounts were drawn from the internally restricted net assets (2018: \$321,000 drawn). 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.

	2019	2018
Balance, beginning of the year	\$ 2,317,640	\$ 2,297,497
Endowments received from private sources	850	2,652
Investment income required to be held as endowment	17,841	17,491
Balance, end of the year	\$ 2,336,331	\$ 2,317,640

11. COMMITMENTS AND CONTINGENCIES

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

12. RECLASSIFICATION

Certain 2018 comparative amounts were reclassified to conform to the current year's financial statement presentation.

13. PRIOR PERIOD ADJUSTMENT

During the year, the RBG signed a new Ontario Transfer Payment Agreement. At this time, it was discovered that the funding recognized for the year ended December 31, 2009 was incorrectly calculated and deferred revenue relating to this funding was understated. The 2018 financial statements have been restated as follows: deferred revenue increased \$535,960 and opening unrestricted net assets decreased \$535,960.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

14. REVENUE

	2019	2018
Admissions, memberships and other program revenue consists of:		
Admissions and special events	\$ 1,903,806	\$ 1,698,343
Membership fees	1,204,852	1,126,210
Food and beverage	391,900	337,925
Rentals	589,894	487,268
Garden shop sales	977,638	878,140
Other income	145,746	124,006
a) Total admissions, memberships and other programs	\$ 5,213,836	\$ 4,651,892
Mandated activities consists of:		
Horticulture - gardens, parklands and collections	\$ 995,606	\$ 847,152
Conservation and environmental programs	546,685	413,108
Scientific and research programs	501,070	549,966
Education programs	1,149,836	1,188,254
b) Total mandated activities	\$ 3,193,197	\$ 2,998,480
Donations and grants received during the year	\$ 2,213,418	\$ 2,692,277
Add:		
Restricted donations received in the prior year recognized into development - donations revenue	277,572	246,612
Less:		
Grants deferred and recognized into mandated activities revenue once qualifying expenses incurred	(755,078)	(1,000,550)
Green Angel donations recognized in deferred revenue	(50,117)	(109,065)
Restricted donations recognized in deferred revenue	(356,964)	(109,992)
Restricted donations recognized in deferred operating contributions and endowments	(1,700)	(3,852)
Restricted donations recognized in deferred capital contributions	(247,016)	(986,064)
c) Total development - donations	\$ 1,080,115	\$ 729,366
Investment income earned during the year	\$ 886,410	\$ 1,428,262
Less: Investment management fees	(89,925)	(104,017)
Net investment funds available for allocation	796,485	1,324,245
Allocation to deferred operating contributions	(407,122)	(772,982)
Allocation to internally restricted net assets	(161,472)	(259,776)
Allocation to endowments	(17,841)	(17,491)
d) Total investment income	\$ 210,050	\$ 273,996

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019.

(a) Liquidity Risk

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

(b) Credit Risk

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

(c) Market Risk

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

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some of the RBG's assets are exposed to foreign exchange fluctuations. As at December 31, 2019, bank indebtedness of \$6,060 (2018: \$1,690) is recorded in US dollars and converted into Canadian dollars. Approximately 38% (2018: 39%) of the RBG's investments are held in US dollars and converted into Canadian dollars.

(ii) Other Price Risk

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