

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025



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, 2025, 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, 2025, 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.



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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 31, 2026

Chartered Professional Accountants
Licensed Public Accountants

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025


ASSETS

| | 2025 | 2024 |
|-------------------------------|---------------|---------------|
| CURRENT ASSETS | | |
| Cash | \$ 258,607 | \$ - |
| Accounts receivable | 744,156 | 776,591 |
| Inventory | 458,434 | 351,593 |
| Prepaid expenses and deposits | 662,942 | 619,681 |
| | 2,124,139 | 1,747,865 |
| INVESTMENTS (note 4) | 16,780,084 | 15,869,622 |
| CAPITAL ASSETS (note 6) | 39,813,084 | 39,238,972 |
| | \$ 58,717,307 | \$ 56,856,459 |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------|---------------|
| CURRENT LIABILITIES | | |
| Bank indebtedness | \$ - | \$ 706,069 |
| Accounts payable | 1,581,682 | 2,263,920 |
| Government remittances payable | 31,791 | 22,481 |
| Deferred revenue | 2,626,578 | 2,515,596 |
| Deferred capital funding | 922,191 | 611,825 |
| Current portion of long term debt (note 7) | 26,518 | 7,782 |
| Deferred operating contributions (note 8) | 6,325,727 | 6,385,690 |
| | 11,514,487 | 12,513,363 |
| LONG TERM DEBT (note 7) | 932,178 | 161,536 |
| DEFERRED CAPITAL CONTRIBUTIONS (note 9) | 34,493,897 | 35,273,266 |
| | 46,940,562 | 47,948,165 |
| NET ASSETS | | |
| Unrestricted (note 11) | 6,953,088 | 3,948,017 |
| Internally restricted (note 12) | 2,306,714 | 2,475,456 |
| Endowments (note 13) | 2,516,943 | 2,484,821 |
| | 11,776,745 | 8,908,294 |
| | \$ 58,717,307 | \$ 56,856,459 |

Commitments and contingencies (note 10)
Prior period adjustment (note 3)



Director

Approved by the Board



Director

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2025

| | 2025 | 2024 |
|---|---------------------|----------------------|
| REVENUE | | |
| Operating grants | | |
| Ministry of Tourism, Culture and Sport | \$ 4,035,890 | \$ 4,036,060 |
| City of Hamilton | 687,029 | 673,559 |
| Regional Municipality of Halton | 921,188 | 894,357 |
| | <u>5,644,107</u> | <u>5,603,976</u> |
| Admissions, sales and incremental revenue (note 14a) | 13,456,027 | 11,055,530 |
| Fundraising revenue (note 14b, note 14c) | 2,468,867 | 2,410,338 |
| Grant revenue (note 14d) | 1,006,411 | 856,804 |
| Other revenue | 116,997 | 224,999 |
| Investment income (note 14e) | 690,379 | 258,655 |
| | <u>23,382,788</u> | <u>20,410,302</u> |
| EXPENSES | | |
| Admissions, sales and incremental expenses | 9,027,009 | 8,523,503 |
| Fundraising and grant expenses | 1,039,811 | 1,104,124 |
| Conservation and science communication expenses | 1,623,253 | 2,025,275 |
| Collections management expenses | 461,156 | 971,938 |
| Garden expenses | 1,858,312 | 2,670,017 |
| Site maintenance expenses | 3,362,436 | 3,516,779 |
| Administration expenses | 3,003,477 | 3,030,531 |
| | <u>20,375,454</u> | <u>21,842,167</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR OPERATIONS | 3,007,334 | (1,431,865) |
| Amortization of deferred capital contributions (note 6) | 3,465,064 | 3,291,414 |
| Amortization of capital assets (note 6) | (3,642,363) | (3,477,660) |
| Change in unrealized gain (loss) on investments | (334,271) | 181,118 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 2,495,764 | \$(1,436,993) |
| Excess (deficiency) of revenue over expenses | \$ 2,495,764 | \$(1,436,993) |
| Deficit funded through planned use of internally restricted funds (note 12) | - | 520,697 |
| Funds added to (used from) unrestricted net assets | \$ 2,495,764 | \$(916,296) |

(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, 2025

| | Unrestricted (note 11) | Internally restricted (note 12) | Endowments (note 13) | Total 2025 | Total 2024 |
|---|---------------------------|---------------------------------------|-------------------------|----------------------|---------------------|
| NET ASSETS, BEGINNING OF THE YEAR | \$ 3,948,017 | \$ 2,475,456 | \$ 2,484,821 | \$ 8,908,294 | \$ 8,655,061 |
| Excess (deficiency) of revenue over expenses for operations | 3,007,334 | - | - | 3,007,334 | (1,431,865) |
| Contributions received for purchase of land | 65,000 | - | - | 65,000 | 400,633 |
| Contributions received for purchase of artwork | 92,550 | - | - | 92,550 | 775,500 |
| Endowment contributions | - | - | 12,030 | 12,030 | 12,854 |
| Amortization of investment in capital assets | (177,299) | - | - | (177,299) | (186,246) |
| Investment income allocations | - | 355,047 | 20,092 | 375,139 | 326,734 |
| Transfer from internally restricted funds | 351,757 | (351,757) | - | - | - |
| Change in unrealized gain (loss) on investments | (334,271) | (172,032) | - | (506,303) | 355,623 |
| NET ASSETS, END OF THE YEAR | \$ 6,953,088 | \$ 2,306,714 | \$ 2,516,943 | \$ 11,776,745 | \$ 8,908,294 |

Prior period adjustment (note 3)

(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, 2025

| | 2025 | 2024 |
|--|-------------------|---------------------|
| CASH USED IN OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses for the year | \$ 2,495,764 | \$(1,436,993) |
| Adjustments for: | | |
| - amortization of deferred capital contributions | (3,465,064) | (3,291,414) |
| - deferred operating contributions recognized as revenue | (703,138) | (718,352) |
| - amortization of capital assets | 3,642,363 | 3,477,660 |
| - change in unrealized loss (gain) on investments | 334,271 | (181,118) |
| | <u>2,304,196</u> | <u>(2,150,217)</u> |
| Net changes in non-cash working capital balances from operations | (680,017) | 1,581,725 |
| Cash provided by (used in) operating activities | <u>1,624,179</u> | <u>(568,492)</u> |
| INVESTING ACTIVITIES | | |
| Capital funding received during the year | 2,996,466 | 2,416,198 |
| Capital funding used during the year | (2,681,438) | (2,452,254) |
| Acquisition of internally funded capital assets | (1,377,487) | (1,269,656) |
| Increase in endowments | 32,122 | 32,552 |
| Allocated investment income to internally restricted net assets | 355,047 | 307,036 |
| Deferred operating contributions and allocated investment income | 1,236,848 | 792,586 |
| Increase in current portion of long term debt | 18,736 | 7,782 |
| Increase in long term debt | 770,642 | 161,536 |
| Decrease (increase) in cost of investments | (2,010,439) | 188,952 |
| Cash provided by (used in) investing activities | <u>(659,503)</u> | <u>184,732</u> |
| INCREASE (DECREASE) IN CASH DURING THE YEAR | 964,676 | (383,760) |
| BANK INDEBTEDNESS AT BEGINNING OF YEAR | (706,069) | (322,309) |
| CASH (BANK INDEBTEDNESS) AT END OF THE YEAR | <u>\$ 258,607</u> | <u>\$ (706,069)</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, 2025

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, 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, 2025

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 the estimated fair market value at the date of donation. The RBG received donations in-kind of \$7,000 (2024: \$6,849).

(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 bank indebtedness, accounts payable and long term debt. 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, 2025

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

(f) Inventory

Inventory, consisting of food and beverage and 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, sales and incremental expenses is \$1,611,095 (2024: \$1,432,896) 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 | 2-5 years |
| Furniture and fixtures | 2-10 years |
| Computer equipment | 2-3 years |
| Software | 5 years |
| Media stock | 5 years |
| Exhibits | 3 years |

Artwork with cultural, aesthetic and historical value are not amortized.

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, 2025

3. PRIOR YEAR ADJUSTMENT

During the year, it was determined that sculptures donated in 2024 had not been recorded. The 2024 financial statements were restated resulting in an increase of \$775,500 to capital assets and an increase of \$775,500 to unrestricted net assets.

4. 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.

| | 2025 | 2024 |
|--|---------------|---------------|
| Cost of investments at December 31 | \$ 14,671,356 | \$ 12,660,917 |
| Unrealized gain on investments | 2,108,728 | 3,208,705 |
| Market value of investments at December 31 | \$ 16,780,084 | \$ 15,869,622 |

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

| | | |
|---|---------------|---------------|
| Cash, cash equivalents and accrued interest | \$ 423,377 | \$ 1,067,447 |
| Fixed income securities | 6,313,309 | 5,217,289 |
| Equity securities | 10,043,398 | 9,584,886 |
| | \$ 16,780,084 | \$ 15,869,622 |

5. DEMAND LOAN

The RBG has the following facilities available:

- Credit facility #1 & #2 - Shared authorization up to \$2,000,000. Facility #1 - Revolving loan to provide bridge financing for general capital requirements. Interest rate is determined at the time of borrowing. Repayable in full on the maturity date determined at the time of borrowing, to maximum term of one year. As at December 31, 2025, the facility was drawn on as disclosed in note 7 (2024: not drawn). Facility #2 - Non-revolving demand loan to provide bridge financing for general capital requirements. The facility bears interest at prime plus 0.75%. Repayment terms are determined at time of borrowing. As at December 31, 2025, the facility was not drawn upon (2024: not drawn).
- Credit facility #3 - Overdraft lending account up to \$2,000,000 for general operating requirements. The facility bears interest at prime plus 0.5%. Repayable on demand. As at December 31, 2025, facility was not drawn upon (2024: \$113,108 drawn).
- Credit facility #4 - Corporate MasterCard account up to \$250,000 for general operating requirements. As at December 31, 2025, \$75,378 (2024: \$65,000) was drawn on the facility.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

5. DEMAND LOAN (CONT'D)

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;
- Signed Environmental Review Checklist and Indemnity Agreement;
- 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, 2025 is \$6,632,651 (2024: \$5,981,822), which are included with investments on the statement of financial position;
- Solicitor's Letter of Opinion together with a Conflict of Interest Letter from the Solicitor confirming the Bank has good and valid assignment of the funds;
- Letter of acknowledgement confirming that existing pledged investment portfolio continues to contain no trust funds or otherwise restricted funds; and
- Letter of acknowledgement that moving funds in and/or out of the pledged investment portfolio is allowed subject to bank prior approval and the minimum lending value of the pledged investment portfolio has to be equal or more than the outstanding loan balance.

6. CAPITAL ASSETS

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

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Balance, beginning of the year | \$ 39,238,972 | \$ 37,818,589 |
| Purchase of capital assets funded by deferred capital contributions | 2,681,438 | 2,452,254 |
| Purchase of land funded through contributions | 65,000 | 400,633 |
| Purchase of artwork funded through contributions | 92,550 | 775,500 |
| Purchase of internally funded capital assets | 1,377,487 | 1,269,656 |
| Amortization of capital assets | (3,642,363) | (3,477,660) |
| Balance, end of the year | \$ 39,813,084 | \$ 39,238,972 |

Of the amortization claimed, \$3,465,064 (2024: \$3,291,414) relates to externally funded capital assets, which agrees to the amortization of deferred capital contributions recognized as revenue during the year.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

6. CAPITAL ASSETS (CONT'D)

Capital assets consist of the following:

| | 2025 | | 2024 | |
|---|----------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated Amortization | Net | Net |
| Land | \$ 2,569,221 | \$ - | \$ 2,569,221 | \$ 1,755,314 |
| Buildings | 35,956,696 | 20,748,354 | 15,208,342 | 14,661,738 |
| Mechanical equipment | 8,162,620 | 5,219,607 | 2,943,013 | 3,305,224 |
| Gardens and natural area infrastructures | 30,637,397 | 17,051,928 | 13,585,469 | 14,351,660 |
| Roadways and parking lots | 5,096,342 | 3,925,387 | 1,170,955 | 1,380,193 |
| Vehicles and equipment | 6,086,477 | 5,236,373 | 850,104 | 948,396 |
| Furniture and fixtures | 5,213,517 | 4,131,955 | 1,081,562 | 910,456 |
| Computer equipment | 3,218,429 | 3,055,047 | 163,382 | 193,733 |
| Software | 356,823 | 212,469 | 144,354 | 215,719 |
| Media stock | 252,244 | 252,244 | - | - |
| Exhibits | 985,806 | 985,806 | - | - |
| Artwork | 880,126 | - | 880,126 | 775,500 |
| Construction in progress | 1,216,556 | - | 1,216,556 | 741,039 |
| | <u>\$100,632,254</u> | <u>\$ 60,819,170</u> | <u>\$ 39,813,084</u> | <u>\$ 39,238,972</u> |

7. LONG TERM DEBT

| | 2025 | 2024 |
|--|-------------------|-------------------|
| BMO Facility 1 loan, payable in monthly blended payments of \$1,381, bearing interest 5.3% per annum, maturing in September 2028 | \$ 161,542 | \$ 169,318 |
| TD mortgage loan, payable in monthly blended payments of \$4,771, bearing interest TD prime rate plus 0.5%, maturing November 2030 | 797,154 | - |
| | 958,696 | 169,318 |
| Less: Current portion of long-term debt | (26,518) | (7,782) |
| | <u>\$ 932,178</u> | <u>\$ 161,536</u> |

Security for the TD mortgage loan includes a first charge on the property located at 567 Plains Rd West, Burlington, Ontario with a carrying value of \$1,246,284, and a General Security Agreement representing a second charge on all its present and after acquired personal property. The minimum payments due over the next five years are as follows:

| | |
|------|-------------------|
| 2026 | \$ 26,518 |
| 2027 | 27,778 |
| 2028 | 164,670 |
| 2029 | 21,108 |
| 2030 | <u>718,622</u> |
| | <u>\$ 958,696</u> |

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

8. DEFERRED OPERATING CONTRIBUTIONS

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

| | 2025 | 2024 |
|---|---------------------|---------------------|
| Balance, beginning of the year | \$ 6,385,690 | \$ 5,862,720 |
| Contributions received from corporate and private sources | 24,530 | 26,555 |
| Amount drawn from funds during the year | (703,138) | (718,352) |
| Investment income allocation | 585,521 | 359,779 |
| Restricted investment income earned on endowments | 626,797 | 406,252 |
| Change in market value of investments | (593,673) | 448,736 |
| Balance, end of the year | \$ 6,325,727 | \$ 6,385,690 |

Deferred operating contributions consist of the following major external restrictions:

| | | |
|-----------------------------|---------------------|---------------------|
| Operations | \$ 161,344 | \$ 131,847 |
| Gardens and natural lands | 3,276,120 | 3,482,118 |
| Collections | 632,065 | 600,732 |
| Science and education | 1,114,000 | 1,127,124 |
| Staffing and administration | 1,142,198 | 1,043,869 |
| | \$ 6,325,727 | \$ 6,385,690 |

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

| | 2025 | 2024 |
|--|----------------------|----------------------|
| Balance, beginning of the year | \$ 35,273,266 | \$ 36,036,328 |
| Capital contributions used during the year | 2,681,438 | 2,452,254 |
| Funds received relating to prior years' internally funded capital assets | 4,257 | 76,098 |
| Amortization of deferred capital contributions | (3,465,064) | (3,291,414) |
| Balance, end of the year | \$ 34,493,897 | \$ 35,273,266 |

10. 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.

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11. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

| | Unrestricted | Invested in capital assets | Total |
|--|---------------------|-------------------------------|---------------------|
| Balance, beginning of the year | \$ 2,027,140 | \$ 1,920,877 | \$ 3,948,017 |
| Deficiency of revenues over expenses for operations | 3,007,334 | - | 3,007,334 |
| Contributions received for purchase of land | 65,000 | - | 65,000 |
| Contributions received for purchase of artwork | 92,550 | - | 92,550 |
| Purchase of internally funded capital assets | (1,377,487) | 1,377,487 | - |
| Difference to balance deferred capital contributions | - | - | - |
| Amortization of investment in capital assets | - | (177,299) | (177,299) |
| Funds received relating to prior years' internally funded capital assets | 4,257 | (4,257) | - |
| Transfer from internally restricted funds | 351,757 | - | 351,757 |
| Change in unrealized gain on investments | (334,271) | - | (334,271) |
| Balance, end of the year | \$ 3,836,280 | \$ 3,116,808 | \$ 6,953,088 |

12. INTERNALLY RESTRICTED NET ASSETS

During the year, \$351,757 (2024: \$1,245,000) was transferred from the internally restricted net assets to unrestricted net assets. These funds were used towards the cost of implementing the master planning framework in accordance with board restrictions. This includes nil (2024: \$520,697) allocated toward operational expenses and \$351,757 (2024: \$724,303) allocated toward the purchase of capital assets. Internally restricted net assets consist of the following major internal restrictions:

| | 2025 | 2024 |
|---|---------------------|---------------------|
| Maintaining garden areas and strategic initiatives | \$ 2,306,714 | \$ 2,475,456 |

13. 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.

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Balance, beginning of the year | \$ 2,484,821 | \$ 2,452,269 |
| Endowments received from private sources | 12,030 | 12,854 |
| Investment income required to be held as endowment | 20,092 | 19,698 |
| Balance, end of the year | \$ 2,516,943 | \$ 2,484,821 |

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14. REVENUE

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Admissions, sales and incremental revenue consists of: | | |
| Admissions, events and programs | \$ 7,178,157 | \$ 5,985,011 |
| Incremental | 5,899,245 | 4,931,733 |
| Other | 378,625 | 138,786 |
| a) Total admissions, memberships and other programs | \$ 13,456,027 | \$ 11,055,530 |
| Fundraising and donations received during the year | \$ 5,858,135 | \$ 3,132,749 |
| Add: | | |
| Restricted donations received in the prior year recognized into fundraising revenue | 1,030,623 | 1,125,796 |
| Less: | | |
| Grants deferred and recognized into grant revenue as qualifying expenses are incurred | (1,193,485) | (618,379) |
| Green Angel donations recognized in deferred revenue | (125,953) | (200,258) |
| Restricted donations recognized in deferred revenue | (204,109) | (132,454) |
| Restricted donations recognized in deferred operating contributions and endowments | (36,660) | (26,200) |
| Restricted donations recognized in deferred capital contributions | (2,702,134) | (626,836) |
| Restricted donations recognized as direct increase in net assets | (157,550) | (244,080) |
| b) Total fundraising revenue | \$ 2,468,867 | \$ 2,410,338 |
| Fundraising and fund allocation for the following areas: | | |
| Admissions, sales and incremental activities | \$ 206,295 | \$ 205,000 |
| Event sponsorships and donations | 315,800 | 295,000 |
| Fundraising | - | 16,963 |
| Conservation and science communication | 432,194 | 181,400 |
| Collections management | 30,025 | 44,975 |
| Gardens | 596,662 | 569,580 |
| Administration | 4,757 | 76,596 |
| Unrestricted | 883,134 | 1,020,824 |
| c) Total fundraising revenue | \$ 2,468,867 | \$ 2,410,338 |
| Grant revenue provided funding for the following areas: | | |
| Admissions, sales and incremental activities | \$ 666,120 | \$ 22,037 |
| Fundraising | 8,996 | 22,615 |
| Conservation and science communication | 186,025 | 628,088 |
| Gardens | 94,290 | 26,921 |
| Site maintenance | 14,994 | 37,692 |
| Administration | 35,986 | 119,451 |
| d) Total grant revenue | \$ 1,006,411 | \$ 856,804 |

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14. REVENUE (CONT'D)

| | 2025 | 2024 |
|--|-------------------|-------------------|
| Investment income earned during the year | \$ 2,373,198 | \$ 1,438,624 |
| Less: Investment management fees | (95,362) | (87,204) |
| Net investment funds available for allocation | 2,277,836 | 1,351,420 |
| Allocation to deferred operating contributions | (1,212,318) | (766,031) |
| Allocation to internally restricted net assets | (355,047) | (307,036) |
| Allocation to endowments | (20,092) | (19,698) |
| e) Total investment income | \$ 690,379 | \$ 258,655 |

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, 2025.

(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 and long term debt. 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, interest and other price risk. This risk has not changed significantly from the prior year.

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15. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market Risk (cont'd)

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The RBG is exposed to interest rate risk on its fixed interest rate long term debt, which subjects the RBG to a fair value risk.

(ii) 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, 2025, bank indebtedness of \$3,672 (2024: cash of \$2,516) is recorded in US dollars and converted into Canadian dollars. Approximately 31% (2024: 33%) of the RBG's investments are held in US dollars and converted into Canadian dollars.

(iii) 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.

(d) Inflationary Risk

The RBG is significantly impacted by current inflation rates and its impact on supplies and materials, food and beverage costs, utilities, labour and the procurement of capital assets. To manage this risk, RBG management employs a number of tactics including monitoring trends and incorporating economic forecasts in the development of the business plan and budget, monthly review of operating budgets and reprioritization of deliverables, changing the scope of programs or capital projects to reflect increased costs and adjusting pricing specifically for ticketed programs and food services.

16. RECLASSIFICATION

Certain 2024 comparative amounts were reclassified to conform to the current year's financial statement presentation.