

2022 Annual Report



Royal
Botanical
Gardens





Fast Facts

- Officially incorporated in 1941
- Designated a Natural Historic Site in 1993
- 2,700 acres (1,092 ha) including:
 - 300 acres (121 ha) of cultivated gardens (Mediterranean Garden, Hendrie Park, Laking Garden, Rock Garden, Arboretum)
 - 2,400 acres (971 ha) of natural lands
 - 27 km (17 mi.) nature trails
 - Over 2,389 different plant species

Laking Garden

Our Role

Royal Botanical Gardens (RBG) is Canada's largest botanical garden and a National Historic Site located within the Niagara Escarpment UNESCO World Biosphere Reserve. It is a registered charity with a mandate to bring together people, plants and nature.

Initiatives

- protecting and restoring nature sanctuaries and environmentally sensitive habitats that are home to over 50 species at risk
- teaching the public and educating school children about the importance of plants and nature
- creating display gardens and teaching people how to transfer best practices into their own back yard
- connecting people to nature by hosting events that celebrate our landscape and highlight our conservation activities
- engaging in research projects and networks to pursue environmental sustainability

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.

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 through donations from corporations, foundations and generous individuals.



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Royal Botanical Gardens acknowledges the long history of First Nations and Métis People in the Province of Ontario, and pays respect to the Six Nations of the Grand River Territory and the Mississaugas of the Credit First Nation, the holder of the Treaty with the Crown for these lands. The land we steward is within the traditional territories of the Haudenosaunee, Anishinaabe and Huron-Wendat Nations.



Board of Directors

Keith Scott—Chair

Deboah Harasym—Vice Chair

Nancy Rowland—Chief Executive Officer

Appointed by Council, City of Hamilton

Keith Scott (May 2015–November 2024)

Councillor Lloyd Ferguson (December 2018–November 2022)

Councillor Craig Cassar (November 2022–November 2026)

Councillor Alex Wilson (November 2022–November 2026)

Appointed by Council, Region Municipality of Halton

Larissa Fenn (June 2019–November 2022)

Councillor Kelvin Galbraith (December 2018–November 2026)

Additional Members in Place of Appointments by the Governor-in-Council

Kevin Brady (June 2013–September 2025)

Lisa Marcuzzi (September 2021–September 2024)

Additional Members in Place of Appointments by the Lieutenant-Governor-in-Council, Province of Ontario

Alexandra Lawson (June 2022–June 2026)

Luke Wilson (March 2022–March 2025)

RBG Appointees

Marlis Butcher (March 2021–June 2025)

David Conrath (March 2015–June 2023)

David Farrar (September 2019–June 2023)

Ex-Officio, President and Vice Chancellor, McMaster University

Frank Ferragine (December 2021–June 2023)

Ingrid Hann (May 2020–June 2024)

Deborah Harasym (March 2018–June 2023)

Matt Johnston (May 2021–June 2024)

Robert Norman (May 2021–June 2023)

Gavin Sheppard (March 2021–June 2024)

Kathy Thomas (May 2021–June 2025)

Representing RBG Volunteers

Fiona Morrison (May 2020–June 2022)

Gloria Onishenko (June 2022–June 2023)

CEO and Board Chair Message

Individuals and organizations often start a new calendar year with a sense of hope and optimism for what the year ahead will bring in terms of possibilities and opportunities. This was very much the case for the Royal Botanical Gardens (RBG) and many others as they began 2022 after a year of lengthy lockdowns and stay at home orders.

In early 2022, the government of Ontario announced a phased in approach to reopening the province and over the first half of the year, it gradually lifted restrictions for both indoor and outdoor activities. While there was cautious optimism about returning to “normal,” consumers demonstrated caution in returning to large-scale social gatherings.

Despite the slow start in reopening the province, work continued unabated for RBG in all areas of planning, operations, programs and services.

Implementation of the Master Plan (MP) Framework continued with the development of experience plans for the children’s/family play area, a music program and a four-season conservatory. RBG will continue to refine these plans to help inform design phases. In November of 2022, RBG hosted a public open house to provide an overview of the MP implementation. During the open house, RBG’s Chief Executive Officer (CEO), Nancy Rowland, provided updates on the status of the MP priority projects – the build of RBG Centre, creating an enhanced showcase garden at Hendrie Park and creating a gateway to conservation engagement at the Arboretum. She showed images from other high performing gardens to illustrate the ideas and concepts that are being contemplated for the reimagining of RBG.

The CEO noted how these projects will help address current challenges – lack of space to support year-round experiences, limitations in reaching broader audiences and the need to grow visitation and revenues.

If the MP is the vision for what RBG can become in the long term, the five-year Strategic Plan begins to form the foundation for what is needed to ensure the successful implementation of the MP. The five pillars of the Strategic Plan are:

1. Preparing for the future
2. Leadership in biodiversity and ecological stewardship
3. Excellence in experiences and visitor engagement
4. Strong culture, strong team
5. Financial resilience and growth

Recovering from the effects of limited events, activations and visitors on site in 2021 and preparing for the future, both short- and long-term, formed the basis for RBG’s 2022 business priorities. In 2022, RBG’s priorities were:

1. Covid-19 recovery
2. Implementation of Master Planning Framework
3. Leadership in biodiversity and ecological stewardship
4. Organizational effectiveness

The work tied to the implementation of the MP, the five-year Strategic Plan and the 2022 Business Priorities is all interconnected. The long- and short-term visions and plans helped to inform the work that was undertaken in 2022. In turn, the results and achievements from 2022 will set the stage for work in 2023 and beyond to support implementation of the Strategic and Master Plans.

In 2022, recovering from COVID-19 was a key business driver for RBG. Specifically, the priority was to reopen the site and facilities to indoor and outdoor activities after a year of lockdowns and stay-at-home orders. Trail visitors remained steady from the previous year at approximately a half million visitors which showed the importance of green space and trails.



Master Plan — Priority Projects

1. The build at RBG Centre
2. Creating an enhanced Showcase Garden at Hendrie Park
3. Creating a gateway conservation engagement at the Arboretum

Five-Year Strategic Plan

1. Preparing for the future
2. Leadership in biodiversity and ecological stewardship
3. Excellence in experiences and visitor engagement
4. Strong culture, strong team
5. Financial resilience and growth

2022 Business Priorities

1. Covid-19 recovery
2. Implementation of Master Planning Framework
3. Leadership in biodiversity and ecological stewardship
4. Organizational effectiveness



After a slow start to the year, local school boards gave their educators the green-light to go on field trips in April, which led to a resurgence of groups coming on-site during May and June. Attendance from school groups during the autumn months proved to be slower than normal due in large part to changing classroom dynamics and teacher's comfort levels with external trips. Virtual field trips remained popular for both classroom and virtual classes throughout the year. RBG offered camp programs over March Break, and the summer and winter breaks.

Programs and special events such as *Seeing the Invisible*, the Great Pumpkin Trail and Winter Wonders returned with expanded programs and offerings. The overall result was increased attendance for events which led to a 21.5% increase in membership sales.

Overall, RBG saw a 25.3% increase in revenue in 2022 compared to 2021, a 36.9% increase from 2020, and 22.7% higher revenue than in 2019. Revenue from special events, memberships, rentals, food and beverage and garden sales all generated increases from the previous year. RBG took over the delivery of food and beverage services midway through 2021 and 2022 was the first full year of operations. Revenue in this business stream was higher in 2022 given it was a full year of operations led by RBG relative to 2021, however, this increase was offset by similar increases in expenses, specifically the costs of salaries, wages, goods and services. Food costs were particularly high in 2022 which offset any gains in revenue in the food and beverage and venue rental and catering business lines.

Work continued in all four mandated areas of education, horticulture, natural lands and science to advance RBG's leadership in biodiversity and ecological stewardship. Highlights from these four areas are presented in this annual report.

No work at RBG could be accomplished without the contributions of RBG's volunteers. The legacy of the volunteer program at RBG is immeasurable and in 2022, this program celebrated its 75th anniversary and contributed more than 37,000 hours of service to RBG.

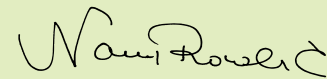
RBG also undertook significant strides in implementing organizational effectiveness towards building a strong culture, strong team. Recruitment was undertaken in the latter part of the year to fill key positions including a new Chief Operating Officer and Director of Marketing. These roles will be critical in streamlining processes, reviewing cost/benefit analysis of key business operations, and promoting RBG's programs and offerings to increase audience awareness of RBG.

RBG is grateful for the financial support received from the Government of Ontario, through the Ministry of Heritage, Sport, Tourism and Culture Industries, City of Hamilton, Regional Municipality of Halton as well as donors, partners, sponsors and members.

RBG looks forward to continuing the work it began in 2022 to build the foundations for financial resilience, organizational effectiveness and increased audience development and engagement that will continue to inform both the Strategic Plan and the longer-term Master Plan.



Keith Scott, Board Chair
Royal Botanical Gardens



Nancy Roland, CEO
Royal Botanical Gardens

Tending the Roots of our Future

Master Plan Open House

In November, an open house was held at David Braley & Nancy Gordon Rock Garden to provide an update on the Master Plan (MP) and the implementation strategy that will continue RBG's transformation into a year-round destination. Nancy Rowland, RBG's CEO, provided details on three MP priority projects that have been selected for the first phase of implementation.

- The Build at RBG Centre
- Creating an enhanced Showcase Garden at Hendrie Park
- Creating a Gateway to Conservation Engagement at the Arboretum

This work builds on the MP Framework that was approved by the Board and was based on significant research and review of how other like gardens across North America balance conservation, horticulture, science and education with recreational and cultural engagement. RBG is using its own data to inform planning and design to ensure MP initiatives are appropriate for RBG and its growth.

The protected areas will continue to be protected and current gathering areas will be the focus of growth and expansion. She used a collection of images from other organizations as inspiration to represent the kinds of ideas that are being contemplated.

- Attracting more families and school groups through a new Children's Discovery Garden in Hendrie Park
- Creating strong connections between Hendrie Park and Hendrie Valley
- New four-season conservatories at RBG Centre
- New auditorium, gallery space and event space
- Developing accessible infrastructure to connect trails to the shoreline and boathouse at the Arboretum



Nancy Rowland, CEO, speaking at the Open House

RBG in 2022



9,964 plant accessions
235,605 living plants representing:
7,253 taxa, representing
156 families,
813 genera and
2,389 species



326 virtual school programs delivered to
13,129 students
183 on-site school programs delivered to
7,245 students
2,165 March Break, summer and winter campers



13,000 native plants added to habitat restoration sites



40,000 invasive plants removed



284,744 site visitors



14,826 memberships households



25,056 members



62 fish species identified



Over **60,000** plant specimens in our herbarium for scientific research



37,630 volunteer hours



599 active volunteers



277 bird species
37 mammal species
6 amphibian species
4 turtle species



500,000 trail visitors

Green Angels Subsidy Program supported:

60 new Canadians participating in garden tours
6 kids at RBG Summer Camp
105 virtual field trips with **2,868** students
1,318 students participating in on-site programs
184 youth participating in on-site program experiences
178 admission passes

RBG 2022 Results

Financial & Program Performance

Revenue in 2022 was 25% higher than 2021 and 22.6% higher than pre-COVID revenue in 2019. While revenue in 2022 was higher, expenses were also higher than expected due to increased costs for goods and services, such as food costs. RBG received \$1.5 million in Emergency Stabilization Funding from the Ministry of Heritage, Sport Tourism and Culture Industries in 2022 to help offset the costs of increased expenses in delivering programs, services and mandated activities.

Attendance in 2022 of 284,744 was substantially higher than 2021 and 2020 when there were several lockdowns and stay at home orders. The 2022 attendance results did not meet pre-COVID figures (in 2019) of 366,593. This can be attributed to the gradual return to large scale gatherings in the first half of 2022 which limited capacity at both indoor and outdoor events and cancellations in the latter part of the year for the Winter Wonders event due to inclement weather.

Membership continued on an upward trend in 2022. There was a 21.5% increase in memberships from 2021, 35.6% increase from 2020, and a 21.5% increase from 2019. Popular events and programming like the Great Pumpkin Trail and *Seeing the Invisible* drove attendance in

2022 which increased membership sales. Revenue through the Annual Giving and Grants program remained steady in 2022. A resource was dedicated to the Major Gifts and Legacy Giving programs and several new major donors were identified and secured in 2022 which saw a 30.2% increase in revenue in this stream from 2021.

In 2022, RBG undertook a number of initiatives to build on programs and special events from the previous year. Attendance to the Great Pumpkin Trail almost tripled in size from 2021. For the first time in 2022, two weekends were offered for the Great Pumpkin Trail, which returned to Hendrie Park after a modified event in 2021 at the Rock Garden. *Seeing the Inevitable* returned to the RBG in 2022 for a longer run and was augmented with evening programming that included garden tours, music, dinner and movie nights. Attendance to *Seeing the Invisible* was almost 28,000 guests compared to 8,445 guests in 2021. Attendance for the Winter Wonders program decreased by 12% in 2022 from the previous year due to cancellations from inclement weather and increased competition from local venues for outdoor winter programs.



The Year in Review

Special Events and Program Highlights

- *Seeing the Invisible*, an augmented reality exhibition returned for a second year for an extended period and the addition of special evening events and programs
- The Great Pumpkin Trail returned to Hendrie Park with an additional weekend of programming
- Winter Wonders returned for a third year with enhanced outdoor lighting and indoor programming was heightened with the return of the Botanical Train Display



Winter Wonders

Fundraising and Membership Highlights

- Memberships continued on an upwards trend with the return and expansion of popular events and programs that drove attendance and membership sales
- Annual Giving remained steady in 2022
- A resource was dedicated to the Major Gift Program and as a result new major donors were identified and secured



Hendrie Park

Horticulture Highlights

- Collaborated with the education department to refurbish and refresh Veggie Village and the Children's Garden
- RBG's hired its first full-time landscape designer
- Mediterranean Garden collections were pruned to stimulate vigour and encourage ground plant growth
- Expanded the plant trials in collaboration with University of Guelph
- Staff mentored professional gardener students from Niagara Parks School of Horticulture
- Improved the propagation facility with new LED lights, heat mats, timers and mist systems



Annual Trials bed, Hendrie Park

Natural Lands Highlights

- Monitoring of ecological conditions found most populations stable although fish numbers continue to decline
- Marsh habitat conditions slightly improved due to low water levels that aided plant regeneration
- Trail resurfacing and repairs continue at Cootes Paradise, Sassafras Point, Bulls Point and Churchill Park
- Re-established a historical trail route to the boathouse
- 31,000 invasive shrubs removed from forest habitat
- 70 turtle nests were protected, six new wild Blanding's Turtles found, five Blanding's hatchlings sent to a head-starting program
- Meadow restoration continued at Rock Chapel and Cootes Paradise
- Annual July grassland Butterfly Count observed 21 species and over 639 individuals on three survey sites



Mikayla Ford, aquatic intern



Veggie Village, Hendrie Park



Seed library

Education Highlights

- RBG celebrated 75 years of our children's gardening and adult education programs
- As part of Veggie Village updates, RBG added a new demonstration of raised bed gardens to inspire interest in school gardening
- RBG's A Place to Grow exhibit went on the road in Ontario, spending several months at museums in Aurora, Collingwood and Ingersoll
- Almost 46,000 members and guests enjoyed exploring rainforests at the Under the Canopy winter exhibit
- On-site school programs slowly returned through the spring, and virtual field trips continued to bring a touch of nature into thousands of classrooms and learners from coast to coast
- An Ontario Trillium Foundation grant upgraded the technology that takes RBG's virtual field trips to the gardens and onto the trails
- Stedman Hall technology was updated and a new climate change gardening digital exhibit was installed
- New Family Discovery Packs (available for loan to visitors) launched with exploration tools and guides designed to help kids connect with nature while visiting RBG

Science Highlights

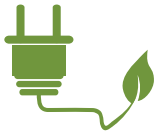
- Over 500 people made use of the volunteer-led RBG seed library in its second year
- Staff presented nine plant identification workshops and 14 talks on botany, conservation and RBG's history for a wide variety of audiences
- RBG contributed historical information to the Canadian Garden Council's 100 Garden Moments of Canada for the 2022 Year of the Garden program
- 13 outside researchers used the RBG herbarium and associated data, and 24 accessed the archives and historical horticultural collections, for projects ranging from invasive species research to botanical art
- External researchers undertook nine different projects, ranging from experimental archaeology to surveying endangered freshwater mussels, and from trapping invasive insects to tracking fish using acoustic tags

Sustainability Efforts

In 2022 RBG continued to look for ways to reduce the environmental impact of its daily operations. The key sustainability focus areas continue to be greenhouse gas emissions, water consumption and waste diversion. Some of the highlights from 2022 were:



Over **139,728** plastic water bottles have been diverted so far by our five hydration filling stations located around RBG Centre



An electric fleet vehicle was purchased to reduce greenhouse gas emissions resulting from catering deliveries across the gardens



Solar lights were installed at Princess Point to make the location safer, more energy efficient and extend the hours of usage



Additional waste diversion services have been expanded for improved collection of internal electronics and battery recycling



Gift shop no longer provides plastic bags and uses paper ones as needed to help visitors reduce their environmental impact



An interactive display on gardening as a climate change action was developed in Stedman Hall



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, 2022**



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, 2022, 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, 2022, 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.

Ancaster, Ontario
March 30, 2023

Chartered Professional Accountants
Licensed Public Accountants

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

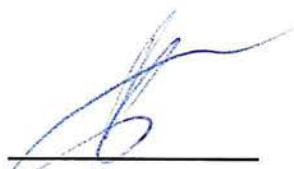
ASSETS

| | 2022 | 2021 |
|-----------------------------------|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ 271,562 | \$ 610,915 |
| Accounts receivable | 815,986 | 1,284,210 |
| Government remittances receivable | - | 120,581 |
| Inventory | 324,541 | 243,397 |
| Prepaid expenses and deposits | 361,285 | 436,046 |
| | <u>1,773,374</u> | <u>2,695,149</u> |
| INVESTMENTS (note 3) | 14,457,679 | 17,442,204 |
| CAPITAL ASSETS (note 5) | 38,638,004 | 40,378,373 |
| | <u>\$ 54,869,057</u> | <u>\$ 60,515,726</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,068,868 | \$ 1,789,666 |
| Government remittances payable | 26,180 | - |
| Deferred revenue | 1,174,538 | 2,306,060 |
| Deferred capital funding | 597,325 | 340,431 |
| Deferred operating contributions (note 6) | 5,309,017 | 6,781,630 |
| | <u>8,175,928</u> | <u>11,217,787</u> |
| DEFERRED CAPITAL CONTRIBUTIONS (note 7) | 37,269,759 | 39,189,364 |
| | <u>45,445,687</u> | <u>50,407,151</u> |
| NET ASSETS | | |
| Unrestricted (note 8) | 2,958,204 | 3,180,786 |
| Internally restricted (note 9) | 4,045,948 | 4,551,774 |
| Endowments (note 10) | 2,419,218 | 2,376,015 |
| | <u>9,423,370</u> | <u>10,108,575</u> |
| | <u>\$ 54,869,057</u> | <u>\$ 60,515,726</u> |

Commitments and contingencies (note 11)


Director

Approved by the Board


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, 2022

| | 2022 | 2021 |
|--|---------------------|-------------------|
| REVENUE | | |
| Operating grants | | |
| Ministry of Heritage, Sport, Tourism and Culture Industries | \$ 4,036,060 | \$ 4,036,030 |
| City of Hamilton | 647,408 | 647,410 |
| Regional Municipality of Halton | 834,912 | 818,541 |
| Other government support (note 2a(v)) | 1,526,000 | 1,101,122 |
| | <u>7,044,380</u> | <u>6,603,103</u> |
| Admissions, memberships and other program revenue (note 14a) | 8,524,624 | 4,435,858 |
| Mandated activities (note 14b) | 1,647,530 | 1,249,786 |
| Development - donations (note 14c) | 1,250,810 | 1,371,761 |
| Investment income (note 14d) | 114,265 | 386,822 |
| Amortization of deferred capital contributions (note 5) | 3,880,689 | 3,874,741 |
| | <u>22,462,298</u> | <u>17,922,071</u> |
| EXPENSES | | |
| Admissions, memberships and other program expenses | 6,564,586 | 3,592,773 |
| Maintenance and equipment | 3,038,386 | 2,514,472 |
| Administration | 2,524,448 | 2,305,291 |
| Development fundraising | 698,864 | 695,195 |
| Mandated activities | | |
| Horticulture - gardens, parklands and collections | 2,613,407 | 2,249,226 |
| Conservation and environmental programs | 1,076,402 | 1,067,895 |
| Scientific and research programs | 468,075 | 411,661 |
| Education programs | 1,271,237 | 1,093,451 |
| Amortization of capital assets (note 5) | 3,880,689 | 3,874,741 |
| | <u>22,136,094</u> | <u>17,804,705</u> |
| EXCESS OF REVENUE OVER EXPENSES FOR OPERATIONS | 326,204 | 117,366 |
| Change in unrealized gain (loss) on investments | (473,111) | 291,642 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | <u>\$ (146,907)</u> | <u>\$ 409,008</u> |

(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, 2022

| | Unrestricted (note 8) | Internally restricted (note 9) | Endowments (note 10) | Total 2022 | Total 2021 |
|---|--------------------------|--------------------------------------|-------------------------|---------------------|----------------------|
| NET ASSETS, BEGINNING OF THE YEAR | \$ 3,180,786 | \$ 4,551,774 | \$ 2,376,015 | \$ 10,108,575 | \$ 9,284,019 |
| Excess of revenue over expenses for operations | 326,204 | - | - | 326,204 | 117,366 |
| Endowment contributions | - | - | 24,271 | 24,271 | 1,500 |
| Amortization of investment in capital assets | (75,675) | - | - | (75,675) | (19,702) |
| Investment income allocations | - | 111,085 | 18,932 | 130,017 | 263,482 |
| Change in unrealized gain (loss) on investments | (473,111) | (616,911) | - | (1,090,022) | 461,910 |
| NET ASSETS, END OF THE YEAR | \$ 2,958,204 | \$ 4,045,948 | \$ 2,419,218 | \$ 9,423,370 | \$ 10,108,575 |

(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, 2022

| | 2022 | 2021 |
|---|-------------------|-------------------|
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses for the year | \$ (146,907) | \$ 409,008 |
| Adjustments for: | | |
| - amortization of deferred capital contributions | (3,805,014) | (3,855,039) |
| - amortization of investment in capital assets | (75,675) | (19,702) |
| - deferred operating contributions recognized as revenue | (189,265) | (69,545) |
| - amortization of capital assets | 3,880,689 | 3,874,741 |
| - change in unrealized gain on investments | 473,111 | (291,642) |
| | 136,939 | 47,821 |
| Net changes in non-cash working capital balances from operations | (986,822) | 807,370 |
| Cash provided by (used in) operating activities | (849,883) | 855,191 |
| INVESTING ACTIVITIES | | |
| Acquisition of capital assets | (2,140,320) | (3,302,858) |
| Increase in endowments | 43,203 | 20,061 |
| Allocated investment income to internally restricted net assets | 111,085 | 244,921 |
| Deferred operating contributions and allocated investment income | 268,678 | 534,998 |
| Capital contributions used during the year | 1,885,409 | 3,006,982 |
| Decrease (increase) in cost of investments | 342,475 | (1,362,100) |
| Cash provided by (used in) investing activities | 510,530 | (857,996) |
| DECREASE IN CASH DURING THE YEAR | (339,353) | (2,805) |
| CASH AT BEGINNING OF THE YEAR | 610,915 | 613,720 |
| CASH AT END OF THE YEAR | \$ 271,562 | \$ 610,915 |

(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, 2022

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.
- (v) Government assistance is recognized as revenue when the RBG has complied with the terms and conditions of the applicable legislation. During the year, the Organization received an emergency stabilization grant from the Ministry of Heritage, Sport, Tourism and Culture Industries in the amount of \$1,526,000 (2021: nil). During the year, the RBG did not receive any assistance relating to the Canada Emergency Wage Subsidy (2021: \$1,101,122).

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 did not receive any donations in-kind during the year (2021: \$95,873).

(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, 2022

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, memberships and other program expenses is \$1,266,591 (2021: \$510,471) 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 |
| Software | 5 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.

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, 2022

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.

| | 2022 | 2021 |
|--|---------------|---------------|
| Cost of investments at December 31 | \$ 13,263,872 | \$ 13,606,347 |
| Unrealized gain on investments | 1,193,807 | 3,835,857 |
| Market value of investments at December 31 | \$ 14,457,679 | \$ 17,442,204 |

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

| | | |
|---|---------------|---------------|
| Cash, cash equivalents and accrued interest | \$ 928,659 | \$ 1,188,978 |
| Fixed income securities | 4,991,271 | 5,648,087 |
| Equity securities | 8,537,749 | 10,605,139 |
| | \$ 14,457,679 | \$ 17,442,204 |

4. 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, 2022, the facility was not drawn upon (2021: 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, 2022, the facility was not drawn upon (2021: 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, 2022, the facility was not drawn upon (2021: 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;
- 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, 2022 is \$4,201,198 (2021: \$4,659,364), 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, 2022

4. DEMAND LOAN (CONT'D)

Security for the facilities includes the following:

- 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.

5. CAPITAL ASSETS

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

| | 2022 | 2021 |
|---|---------------|---------------|
| Balance, beginning of the year | \$ 40,378,373 | \$ 40,950,256 |
| Purchase of capital assets funded by deferred capital contributions | 1,864,085 | 3,004,952 |
| Purchase of internally funded capital assets | 276,235 | 297,906 |
| Amortization of capital assets | (3,880,689) | (3,874,741) |
| Balance, end of the year | \$ 38,638,004 | \$ 40,378,373 |

Amortization of capital assets agrees to amortization of deferred capital contributions of \$3,805,014 (2021: \$3,855,039) and amortization of investment in capital assets of \$75,675 (2021: \$19,702), which has been recognized as revenue during the year.

Capital assets consist of the following:

| | 2022 | | 2021 | |
|--|---------------|-----------------------------|---------------|---------------|
| | Cost | Accumulated Amortization | Net | Net |
| Land | \$ 876,681 | \$ - | \$ 876,681 | \$ 876,681 |
| Buildings | 33,886,294 | 18,169,698 | 15,716,596 | 16,563,754 |
| Mechanical equipment | 7,618,072 | 4,021,450 | 3,596,622 | 3,765,066 |
| Gardens and natural area infrastructures | 27,914,701 | 12,634,398 | 15,280,303 | 16,080,553 |
| Roadways and parking lots | 4,927,934 | 3,172,777 | 1,755,157 | 1,855,590 |
| Vehicles and equipment | 4,920,791 | 4,515,921 | 404,870 | 252,941 |
| Furniture and fixtures | 4,067,335 | 3,499,850 | 567,485 | 712,445 |
| Computer equipment | 2,858,299 | 2,606,397 | 251,902 | 271,343 |
| Software | 209,320 | 20,932 | 188,388 | - |
| Media stock | 252,244 | 252,244 | - | - |
| Exhibits | 985,806 | 985,806 | - | - |
| | \$ 88,517,477 | \$ 49,879,473 | \$ 38,638,004 | \$ 40,378,373 |

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. DEFERRED OPERATING CONTRIBUTIONS

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

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Balance, beginning of the year | \$ 6,781,630 | \$ 5,921,939 |
| Contributions received from corporate and private sources | 7,804 | 1,500 |
| Amount drawn from funds during the year | (189,265) | (69,545) |
| Investment income allocation | 153,848 | 275,813 |
| Restricted investment income earned on endowments | 107,026 | 257,685 |
| Change in market value of investments | (1,552,026) | 394,238 |
| Balance, end of the year | \$ 5,309,017 | \$ 6,781,630 |

Deferred operating contributions consist of the following major external restrictions:

| | | |
|-----------------------------|---------------------|---------------------|
| Operations | \$ 73,503 | \$ 128,373 |
| Gardens and natural lands | 3,225,589 | 3,866,449 |
| Collections | 399,348 | 522,742 |
| Science and education | 938,408 | 1,318,306 |
| Staffing and administration | 672,169 | 945,760 |
| | \$ 5,309,017 | \$ 6,781,630 |

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Balance, beginning of the year | \$ 39,189,364 | \$ 40,037,421 |
| Capital contributions used during the year | 1,885,409 | 3,006,982 |
| Amortization of deferred capital contributions | (3,805,014) | (3,855,039) |
| Balance, end of the year | \$ 37,269,759 | \$ 39,189,364 |

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

| | Unrestricted | Invested in capital assets | Total |
|--|---------------------|-------------------------------|---------------------|
| Balance, beginning of the year | \$ 2,860,472 | \$ 320,314 | \$ 3,180,786 |
| Excess of revenues over expenses for operations | 326,204 | - | 326,204 |
| Purchase of internally funded capital assets | (276,235) | 276,235 | - |
| Amortization of investment in capital assets | - | (75,675) | (75,675) |
| Funds received relating to prior years' internally funded capital assets | 21,325 | (21,325) | - |
| Change in unrealized gain on investments | (473,111) | - | (473,111) |
| Balance, end of the year | \$ 2,458,655 | \$ 499,549 | \$ 2,958,204 |

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. INTERNALLY RESTRICTED NET ASSETS

During the 2020 fiscal year, the RBG received an unrestricted estate donation in the amount of \$905,630. The donation was internally restricted by the RBG. The RBG Board will approve the use of these funds. During the year, no amounts were drawn from the internally restricted net assets (2021: no amounts). Internally restricted net assets consist of the following major internal restrictions:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Maintaining garden areas and strategic initiatives | \$ 3,140,318 | \$ 3,646,144 |
| COVID-19 recovery | 905,630 | 905,630 |
| | <u>\$ 4,045,948</u> | <u>\$ 4,551,774</u> |

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.

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Balance, beginning of the year | \$ 2,376,015 | \$ 2,355,954 |
| Endowments received from private sources | 24,271 | 1,500 |
| Investment income required to be held as endowment | 18,932 | 18,561 |
| Balance, end of the year | <u>\$ 2,419,218</u> | <u>\$ 2,376,015</u> |

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 2021 comparative amounts were reclassified to conform to the current year's financial statement presentation.

13. PRIOR YEAR COMPARATIVES

Due to the impacts of the COVID-19 global pandemic during the fiscal years 2020 and 2021, fiscal year 2019 is a more accurate comparative year when assessing changes in attendance and financial performance.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. REVENUE

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Admissions, memberships and other program revenue consists of: | | |
| Admissions and special events | \$ 1,976,341 | \$ 1,115,198 |
| Membership fees | 1,492,750 | 1,192,609 |
| Rentals | 764,334 | 394,841 |
| Food and beverage | 2,842,274 | 666,279 |
| Garden shop sales | 1,109,981 | 604,596 |
| Parking | 295,054 | 410,565 |
| Other income | 43,890 | 51,770 |
| a) Total admissions, memberships and other programs | \$ 8,524,624 | \$ 4,435,858 |
| Mandated activities consists of: | | |
| Horticulture - gardens, parklands and collections | \$ 40,141 | \$ 59,398 |
| Conservation and environmental programs | 564,711 | 399,828 |
| Scientific and research programs | 141,773 | 127,461 |
| Education programs | 900,905 | 663,099 |
| b) Total mandated activities | \$ 1,647,530 | \$ 1,249,786 |
| Donations and grants received during the year | \$ 2,593,048 | \$ 2,289,733 |
| Add: | | |
| Restricted donations received in the prior year recognized into development - donations revenue | 74,168 | 222,433 |
| Less: | | |
| Grants deferred and recognized into mandated activities revenue once qualifying expenses incurred | (933,115) | (1,022,208) |
| Green Angel donations recognized in deferred revenue | (108,744) | (62,328) |
| Restricted donations recognized in deferred revenue | (363,582) | (31,488) |
| Restricted donations recognized in deferred operating contributions and endowments | (3,000) | (3,000) |
| Restricted donations recognized in deferred capital contributions | (7,965) | (21,381) |
| c) Total development - donations | \$ 1,250,810 | \$ 1,371,761 |
| Investment income earned during the year | \$ 597,355 | \$ 1,278,153 |
| Less: Investment management fees | (92,199) | (94,351) |
| Net investment funds available for allocation | 505,156 | 1,183,802 |
| Allocation to deferred operating contributions | (260,874) | (533,498) |
| Allocation to internally restricted net assets | (111,085) | (244,921) |
| Allocation to endowments | (18,932) | (18,561) |
| d) Total investment income | \$ 114,265 | \$ 386,822 |

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

(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, 2022, bank indebtedness of \$45,158 (2021: \$26,331) is recorded in US dollars and converted into Canadian dollars. Approximately 35% (2021: 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.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
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15. FINANCIAL INSTRUMENTS (CONT'D)

(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.



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**Royal
Botanical
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CANADA