

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Royal Botanical Gardens

### Report on the Financial Statements

We have audited the accompanying financial statements of Royal Botanical Gardens, which are comprised of the statement of financial position as at December 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Royal Botanical Gardens as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Ancaster, Ontario  
May 28, 2015

Chartered Accountants  
Licensed Public Accountants

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

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2014

ASSETS

	2014	2013
<b>CURRENT ASSETS</b>		
Cash	\$ 347,378	\$ 2,592,488
Accounts receivable	501,901	501,173
Government remittances receivable	858,836	141,104
Inventory	112,226	112,334
Prepaid expenses and deposits	264,364	185,639
	2,084,705	3,532,738
INVESTMENTS (note 4)	15,597,894	13,463,552
CAPITAL ASSETS (note 6)	31,676,489	23,739,269
	\$ 49,359,088	\$ 40,735,559


LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Demand loan (note 5)	\$ 67,241	\$ 331,464
Accounts payable	2,481,607	891,863
Deferred operating contributions (note 7)	8,686,132	7,689,956
Deferred revenue	1,567,421	1,562,853
	12,802,401	10,476,136
DEFERRED CAPITAL CONTRIBUTIONS		
- CAPITAL ASSETS (note 8)	31,625,570	23,672,640
DEFERRED CAPITAL CONTRIBUTIONS		
- CAPITAL FUNDING (note 8)	849,797	2,878,094
	45,277,768	37,026,870
<b>NET ASSETS</b>		
Unrestricted	1,257,394	1,024,424
Investment in capital assets (note 9)	50,662	66,373
Endowments (note 10)	2,773,264	2,617,892
	4,081,320	3,708,689
	\$ 49,359,088	\$ 40,735,559

Commitments and contingencies (note 12)

Approved by the Board

  
Director

  
Director

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
<b>REVENUE</b>		
Operating grants		
Province of Ontario - Ministry of Tourism, Culture and Sport	\$ 4,029,760	\$ 4,040,040
City of Hamilton	599,206	599,206
Regional Municipality of Halton	725,266	714,198
	<u>5,354,232</u>	<u>5,353,444</u>
Amortization of deferred capital contributions (note 8 & 9)	1,751,367	1,561,855
Amortization of self-funded capital assets (note 9)	15,711	24,398
Investment income (note 13)	224,650	176,620
Admissions, marketing and visitor experience (note 13)	2,273,022	2,319,906
Development - donations	817,787	803,423
Donations in-kind revenue	390,650	350,115
Membership fees	633,459	626,023
Mandated activities (note 13)	2,305,954	1,658,345
Other income	123,596	108,331
	<u>13,890,428</u>	<u>12,982,460</u>
<b>EXPENSES</b>		
Operations and maintenance		
Buildings and equipment	1,694,883	1,565,585
Amortization of capital assets (note 6 & 9)	1,767,078	1,586,253
	<u>3,461,961</u>	<u>3,151,838</u>
Mandated activities		
Horticulture - gardens, parklands and collections	2,016,427	2,002,603
Conservation and environmental programs	1,019,749	974,790
Scientific and research programs	378,017	415,912
Education programs	1,123,224	1,018,299
	<u>4,537,417</u>	<u>4,411,604</u>
Administration	2,317,696	2,154,353
Development fundraising	643,518	528,463
Admissions, marketing and visitor experience	2,478,257	2,340,362
Donations in-kind expenses	390,650	350,115
	<u>5,830,121</u>	<u>5,373,293</u>
	<u>13,829,499</u>	<u>12,936,735</u>
<b>EXCESS OF REVENUES OVER EXPENSES FOR OPERATIONS</b>	60,929	45,725
Change in unrealized gain on investments	172,041	437,747
<b>EXCESS</b>	<u>\$ 232,970</u>	<u>\$ 483,472</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, 2014

	Unrestricted	Investment in capital assets (note 9)	Endowments (note 10)	Total 2014	Total 2013
NET ASSETS, BEGINNING OF THE YEAR	\$ 1,024,424	\$ 66,373	\$ 2,617,892	\$ 3,708,689	\$ 2,124,782
Excess of revenues over expenses for operations	60,929	-	-	60,929	45,725
Amortization of investment in capital assets	-	(15,711)	-	(15,711)	(24,398)
Endowment contributions	-	-	1,800	1,800	2,875
Change in unrealized gain on investments	172,041	-	137,413	309,454	754,312
Investment income allocations	-	-	16,159	16,159	16,012
Capital funding reallocation	-	-	-	-	789,381
NET ASSETS, END OF THE YEAR	\$ 1,257,394	\$ 50,662	\$ 2,773,264	\$ 4,081,320	\$ 3,708,689

(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, 2014

	2014	2013
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	\$ 232,970	\$ 483,472
Adjustments for:		
- amortization of deferred capital contributions	(1,751,367)	(1,561,855)
- amortization of self-funded capital assets	(15,711)	(24,398)
- deferred operating contributions recognized as revenue	(905,406)	(227,703)
- amortization of capital assets	1,767,078	1,586,253
- change in unrealized gain on investments	(172,041)	(437,747)
	(844,477)	(181,978)
<b>Net changes in non-cash working capital balances from operations</b>	<b>774,025</b>	<b>40,834</b>
<b>Cash provided by (used in) operating activities</b>	<b>(70,452)</b>	<b>(141,144)</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Decrease in demand loan	(264,223)	(99,127)
Acquisition of capital assets	(9,704,298)	(1,673,651)
Increase in endowments	17,959	18,887
Deferred operating contributions and allocated investment income	1,539,059	4,269,980
Deferred capital contributions received during the year	7,676,000	896,498
Increase in cost of investments	(1,439,155)	(4,191,929)
<b>Cash provided by (used in) investing and financing activities</b>	<b>(2,174,658)</b>	<b>(779,342)</b>
<b>DECREASE IN CASH DURING THE YEAR</b>	<b>(2,245,110)</b>	<b>(920,486)</b>
<b>CASH AT BEGINNING OF THE YEAR</b>	<b>2,592,488</b>	<b>3,512,974</b>
<b>CASH AT END OF THE YEAR</b>	<b>\$ 347,378</b>	<b>\$ 2,592,488</b>

(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, 2014

1. DESCRIPTION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue Recognition

- (i) Grants are recorded as revenue when the related expenses have been incurred and the applications for the grants have been approved by the relevant government agencies. Grants received in advance of incurring the related expenses are included on the statement of financial position as deferred revenue.
- (ii) Unrestricted donations 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 land are recorded as a direct increase in net assets invested in capital assets. Externally restricted capital asset contributions that have not been spent are recorded as part of deferred capital contributions 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 investment 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  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Donations In-Kind

Donations in-kind are recorded at their estimated fair market value at the date of donation in the statement of operations.

(c) 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.

(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 demand loan and 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 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 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 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.



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

(f) Inventory

Inventory, consisting of items available for sale in the RBG gift shop, is valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Included in admissions, marketing and visitor experience expense is \$317,573 (2013: \$298,181) of inventory expensed during the year.

(g) Capital Assets

Capital assets are recorded at cost, except for donated assets, which are recorded at fair market value at the date of contribution. The fair market value of previously donated land could not be determined and therefore, the total 1,100 hectares of land have been recorded at a nominal value of \$9,428.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Mechanical equipment	20 years
Gardens and natural area infrastructures	20 years
Roadways and parking lots	20 years
Vehicles and equipment	5 years
Furniture and fixtures	10 years
Computer equipment	3 years
Media stock	5 years
Exhibits	3 years

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.

3. RECLASSIFICATION

Certain 2013 comparative amounts were reclassified to conform to the current year's financial statement presentation.

ROYAL BOTANICAL GARDENS  
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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.

	2014	2013
Cost of investments at December 31	\$ 13,187,387	\$ 11,748,231
Unrealized gain on investments	2,410,507	1,715,321
Market value of investments at December 31	\$ 15,597,894	\$ 13,463,552

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

Cash, cash equivalents and accrued interest	\$ 850,722	\$ 512,762
Fixed income securities	4,299,781	3,576,311
Equity securities	10,447,391	9,374,479
	\$ 15,597,894	\$ 13,463,552

5. DEMAND LOAN

The RBG has the following facilities available:

- Credit facility #1 - Overdraft lending account up to \$2,000,000 for operating requirements. The facility bears interest at prime plus 0.5%. As at December 31, 2014, the facility was not drawn upon (2013: nil).
- Credit facility #2 - Demand loan up to \$2,000,000 to provide bridge financing for capital projects as required. The facility bears interest at prime plus 0.75% and is repayable at the discretion of RBG. As at December 31, 2014, \$67,241 (2013: \$331,464) of the demand loan was drawn upon.

As at December 31, 2014, the RBG has a letter of credit in the amount of \$298,170 (2013: nil) in favour of the City of Hamilton for the Rock Garden project.

Security for the facilities includes the following:

- General security agreement providing a first charge over all accounts receivable, inventory and equipment other than leased assets, land and buildings, plants, living collections, library artifacts, patents and investments;
- Bank to be named as loss payee on business and fire insurance; and
- Assignment and pledge of investment portfolio registered in Ontario under the Personal Property Security Act (PPSA) with enabling resolution. The market value of the investment portfolio pledged as collateral at December 31, 2014 is \$2,636,804 (2013: \$2,360,130), which are included with investments on the statement of financial position.

ROYAL BOTANICAL GARDENS  
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6. CAPITAL ASSETS

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

	2014	2013
Balance, beginning of the year	\$ 23,739,269	\$ 23,651,871
Purchase of capital assets funded by deferred capital contributions	9,704,298	1,673,651
Amortization of capital assets	(1,767,078)	(1,586,253)
<b>Balance, end of the year</b>	<b>\$ 31,676,489</b>	<b>\$ 23,739,269</b>

Capital assets consist of the following:

	2014		
	Cost	Accumulated Amortization	Net
Land (note 2g)	\$ 9,428	-	\$ 9,428
Buildings	27,840,121	\$ 11,623,919	16,216,202
Mechanical equipment	3,029,440	1,952,725	1,076,715
Gardens and natural area infrastructures	7,338,474	3,961,242	3,377,232
Roadways and parking lots	2,393,415	1,773,637	619,778
Vehicles and equipment	1,808,477	1,724,300	84,177
Furniture and fixtures	2,319,870	1,185,727	1,134,143
Computer equipment	1,973,283	1,806,865	166,418
Media stock	252,244	252,244	-
Exhibits	775,461	775,461	-
Construction in progress	8,992,396	-	8,992,396
	<b>\$ 56,732,609</b>	<b>\$ 25,056,120</b>	<b>\$ 31,676,489</b>

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

	2013		
	Cost	Accumulated Amortization	Net
Land (note 2g)	\$ 9,428	-	\$ 9,428
Buildings	27,839,871	\$ 10,927,904	16,911,967
Mechanical equipment	2,976,439	1,802,578	1,173,861
Gardens and natural area infrastructures	7,160,218	3,598,804	3,561,414
Roadways and parking lots	2,393,415	1,653,966	739,449
Vehicles and equipment	1,714,947	1,550,555	164,392
Furniture and fixtures	1,246,941	1,011,417	235,524
Computer equipment	1,775,155	1,716,113	59,042
Media stock	252,244	252,244	-
Exhibits	775,461	775,461	-
Construction in progress	884,192	-	884,192
	<b>\$ 47,028,311</b>	<b>\$ 23,289,042</b>	<b>\$ 23,739,269</b>

ROYAL BOTANICAL GARDENS  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

7. DEFERRED OPERATING CONTRIBUTIONS

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

	2014	2013
Balance, beginning of the year	\$ 7,689,956	\$ 2,982,344
Amount drawn from funds during the year	(905,406)	(227,703)
Contributions received from corporate and private sources	846,658	3,899,486
Investment income allocation	517,242	271,052
Restricted investment income earned on endowments	175,159	99,442
Change in market value of investments	362,523	665,335
<b>Balance, end of the year</b>	<b>\$ 8,686,132</b>	<b>\$ 7,689,956</b>

Deferred operating contributions consist of the following major external restrictions:

Operations	\$ 159,152	\$ 123,810
Gardens and natural lands	6,615,994	5,890,331
Collections	126,648	89,918
Science and education	1,049,730	954,461
Staffing and administration	734,608	631,436
	<b>\$ 8,686,132</b>	<b>\$ 7,689,956</b>

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2014	2013
Balance, beginning of the year	\$ 26,550,734	\$ 28,005,472
Amortization of deferred capital contributions	(1,751,367)	(1,561,855)
Contributions received for capital purposes	7,676,000	896,498
Capital funding reallocation	-	(789,381)
<b>Balance, end of the year</b>	<b>\$ 32,475,367</b>	<b>\$ 26,550,734</b>

Deferred capital contributions consist of the following:

Deferred capital contributions - capital assets	\$ 31,625,570	\$ 23,672,640
Deferred capital contributions - capital funding	849,797	2,878,094
	<b>\$ 32,475,367</b>	<b>\$ 26,550,734</b>

ROYAL BOTANICAL GARDENS  
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9. INVESTMENT IN CAPITAL ASSETS

The change in investment in capital assets is calculated as follows:

	2014	2013
Excess of expenses over revenue		
Amortization of deferred capital contributions	\$ 1,751,367	\$ 1,561,855
Amortization of self-funded capital assets	15,711	24,398
Amortization of capital assets	(1,767,078)	(1,586,253)
	-	-
Investment in capital assets, beginning of the year	66,373	980,268
Net change in investment in capital assets		
Amortization of self-funded capital assets (above)	(15,711)	(24,398)
Funds received relating to prior years' capital	-	(126,500)
Capital funding reallocation	-	(762,997)
Decrease in investment in capital assets	(15,711)	(913,895)
Investment in capital assets, end of the year	\$ 50,662	\$ 66,373

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.

	2014	2013
Balance, beginning of the year	\$ 2,617,892	\$ 2,282,440
Endowments received from private sources	1,800	2,875
Investment income required to be held as endowment	16,159	16,012
Change in market value of investments	137,413	316,565
Balance, end of the year	\$ 2,773,264	\$ 2,617,892

11. AUXILIARY OF THE ROYAL BOTANICAL GARDENS

The accounts of the Auxiliary are presented separately and are not consolidated in these financial statements. Due to the nature of the operations, all of the net assets of the Auxiliary represent unrestricted funds. As at December 31, 2014, the balance of unrestricted funds of the Auxiliary was \$187,786 (2013: \$187,335).

During the year, the Auxiliary made donations of \$53,196 (2013: \$46,918) to the RBG.

ROYAL BOTANICAL GARDENS  
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12. COMMITMENTS AND CONTINGENCIES

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

13. REVENUE

	2014	2013
Investment income earned during the year	\$ 997,571	\$ 595,856
Less: Investment management fees	(64,361)	(32,730)
Net investment funds available for allocation	933,210	563,126
Allocation to deferred operating contributions	(692,401)	(370,494)
Allocation to endowments	(16,159)	(16,012)
<b>Total investment income</b>	<b>\$ 224,650</b>	<b>\$ 176,620</b>
Admissions, marketing and visitor experience consist of:		
General and miscellaneous marketing revenue	\$ 258,473	\$ 261,513
Admissions and special events	658,220	771,547
Food and beverage	201,774	220,360
Rentals	570,955	486,259
Garden shop sales	583,600	580,227
<b>Total admissions, marketing and visitor experience</b>	<b>\$ 2,273,022</b>	<b>\$ 2,319,906</b>
Mandated activities consist of:		
Horticulture - gardens, parklands and collections	\$ 552,246	\$ 39,577
Conservation and environmental programs	756,150	537,815
Scientific and research programs	40,799	125,998
Education programs	956,759	954,955
<b>Total mandated activities</b>	<b>\$ 2,305,954</b>	<b>\$ 1,658,345</b>

ROYAL BOTANICAL GARDENS  
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14. 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, 2014.

(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 demand loan and accounts payable. The RBG's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The RBG achieves this by maintaining sufficient cash and cash equivalents.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The RBG's main credit risks relate to its accounts receivable. The RBG provides credit to its clients in the normal course of its operations.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The RBG is exposed to currency risk, interest rate risk and other price risk.

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some of the RBG's assets are exposed to foreign exchange fluctuations. As at December 31, 2014, bank indebtedness of \$24,557 (2013: \$483) is recorded in US dollars and converted into Canadian dollars. Approximately 43% (2013: 36%) of the RBG's investments are held in US dollars and converted into Canadian dollars.

(ii) 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 floating interest rate demand loan, which subjects the RBG to a cash flow risk.

(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.