

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors 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, 2017, 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, 2017, 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
June 21, 2018

Chartered Professional 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, 2017

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 607,750	\$ 1,702,534
Accounts receivable	562,945	540,114
Government remittances receivable	256,567	95,964
Inventory	232,112	180,615
Prepaid expenses and deposits	143,873	225,599
	1,803,247	2,744,826
INVESTMENTS (note 3)	18,417,496	18,139,416
CAPITAL ASSETS (note 5)	41,738,575	41,218,022
	\$ 61,959,318	\$ 62,102,264

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Demand loan (note 4)	\$ -	\$ 1,202,495
Accounts payable	2,090,690	1,315,513
Deferred revenue	1,579,654	1,714,533
Deferred capital funding	2,675,263	2,826,486
Deferred operating contributions (note 7)	7,332,777	7,935,726
	13,678,384	14,994,753
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	39,710,818	38,983,002
	53,389,202	53,977,755
NET ASSETS		
Unrestricted (note 8)	2,626,705	2,430,304
Internally restricted (note 9)	3,069,299	2,887,610
Endowments (note 10)	2,874,112	2,806,595
	8,570,116	8,124,509
	\$ 61,959,318	\$ 62,102,264

Commitments and contingencies (note 12)



Director

Approved by the Board



Director

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Operating grants		
Province of Ontario - Ministry of Tourism, Culture and Sport	\$ 4,036,000	\$ 4,036,000
City of Hamilton	616,094	605,200
Regional Municipality of Halton	759,930	747,963
	<u>5,412,024</u>	<u>5,389,163</u>
Admissions, memberships and other program revenue (note 14)	4,394,082	3,563,373
Mandated activities (note 14)	3,695,296	3,286,238
Development - donations (note 14)	763,864	805,351
Investment income (note 14)	225,768	158,076
Amortization of deferred capital contributions (note 5)	3,106,049	2,426,440
	<u>17,597,083</u>	<u>15,628,641</u>
EXPENSES		
Admissions, memberships and other program expenses	3,090,293	2,531,177
Maintenance and equipment	2,757,783	2,373,130
Administration	2,272,017	2,100,929
Development fundraising	722,210	585,552
Mandated activities		
Horticulture - gardens, parklands and collections	2,216,531	2,298,173
Conservation and environmental programs	1,195,987	1,243,300
Scientific and research programs	651,558	553,323
Education programs	1,541,922	1,478,501
Amortization of capital assets (note 5)	3,106,049	2,426,440
	<u>17,554,350</u>	<u>15,590,525</u>
EXCESS OF REVENUE OVER EXPENSES FOR OPERATIONS	42,733	38,116
Change in unrealized gain on investments	157,386	171,759
Unrestricted estate donation (note 9)	-	88,929
	<u>-</u>	<u>88,929</u>
EXCESS ADDED TO NET ASSETS FOR THE YEAR	\$ 200,119	\$ 298,804

(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, 2017

	Unrestricted (note 8)	Internally restricted (note 9)	Endowments (note 10)	Total 2017	Total 2016
NET ASSETS, BEGINNING OF THE YEAR	\$ 2,430,304	\$ 2,887,610	\$ 2,806,595	\$ 8,124,509	\$ 7,556,664
Excess of revenue over expenses for operations	42,733	-	-	42,733	38,116
Unrestricted estate donation	-	-	-	-	88,929
Endowment contributions	-	-	1,200	1,200	2,527
Endowment funds drawn	-	-	(8,437)	(8,437)	-
Amortization of investment in capital assets	(3,718)	-	-	(3,718)	(3,718)
Investment income allocations	-	134,468	17,148	151,616	124,729
Change in unrealized gain on investments	157,386	47,221	57,606	262,213	317,262
NET ASSETS, END OF THE YEAR	\$ 2,626,705	\$ 3,069,299	\$ 2,874,112	\$ 8,570,116	\$ 8,124,509

(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, 2017

	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 200,119	\$ 298,804
Adjustments for:		
- amortization of deferred capital contributions	(3,102,331)	(2,422,722)
- amortization of investment in capital assets	(3,718)	(3,718)
- deferred operating contributions recognized as revenue	(1,166,346)	(911,428)
- amortization of capital assets	3,106,049	2,426,440
- change in unrealized gain on investments	(157,386)	(171,759)
	(1,123,613)	(784,383)
Net changes in non-cash working capital balances from operations	337,364	(143,612)
Cash provided by (used in) operating activities	(786,249)	(927,995)
INVESTING AND FINANCING ACTIVITIES		
Decrease in demand loan	(1,202,495)	(402,193)
Acquisition of capital assets	(3,626,602)	(1,944,685)
Increase in endowments	9,911	19,339
Allocated investment income to internally restricted net assets	134,468	107,917
Deferred operating contributions and allocated investment income	439,461	407,251
Capital contributions used during the year	3,830,147	3,359,205
Decrease (increase) in cost of investments	106,575	(828,293)
Cash provided by (used in) investing and financing activities	(308,535)	718,541
DECREASE IN CASH DURING THE YEAR	(1,094,784)	(209,454)
CASH AT BEGINNING OF THE YEAR	1,702,534	1,911,988
CASH AT END OF THE YEAR	\$ 607,750	\$ 1,702,534

(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, 2017

1. DESCRIPTION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue Recognition

- (i) Grants are recorded as revenue when the related expenses have been incurred and the applications for the grants have been approved by the relevant government agencies. Grants received in advance of incurring the related expenses are included on the statement of financial position as deferred revenue.
- (ii) Unrestricted donations, admission fees, membership fees, other program fees, event revenue, food and beverage revenue, rental revenue and garden shop revenue are recognized as revenue in the year in which they are received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are incurred.
- (iii) Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related assets. Externally restricted contributions for non-depreciable capital assets are recorded as a direct increase in unrestricted net assets. Externally restricted capital asset contributions that have not been spent are recorded as part of deferred capital 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 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, 2017

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

(b) Contributed Services

Volunteers contribute numerous hours per year to assist RBG in carrying out its activities. Due to the difficulty in determining their fair value, contributed services have not been recognized in the financial statements.

(c) Donations In-Kind

Donations in-kind are recorded at their estimated fair market value at the date of donation and disclosed in Note 14, reconciling total development - donations.

(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, 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, 2017

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

(f) Inventory

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

Included in admissions, memberships and other program expenses is \$411,433 (2016: \$364,739) of inventory expensed during the year.

(g) Capital Assets

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

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

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

Contributed capital assets are recognized at the fair value at the date of contribution. The contribution is recognized as revenue on the same basis as the amortization expense of the contributed capital asset.

Construction in progress is not amortized until the assets are available for use. During the year, interest of nil (2016: \$51,103) was capitalized during the construction.

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, 2017

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.

	2017	2016
Cost of investments at December 31	\$ 15,576,030	\$ 15,682,605
Unrealized gain on investments	2,841,466	2,456,811
Market value of investments at December 31	\$ 18,417,496	\$ 18,139,416

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

Cash, cash equivalents and accrued interest	\$ 1,222,649	\$ 1,025,825
Fixed income securities	6,068,317	5,543,495
Equity securities	11,126,530	11,570,096
	\$ 18,417,496	\$ 18,139,416

4. DEMAND LOAN

The RBG has the following facilities available:

- Credit facility #1 - Overdraft lending account up to \$2,000,000 for operating requirements. The facility bears interest at prime plus 0.5%. As at December 31, 2017, the facility was not drawn upon (2016: 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, 2017, nil (2016: \$1,202,495) of the demand loan was drawn upon.

As at December 31, 2017, the RBG has a letter of credit in the amount of nil (2016: \$22,054) 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, 2017 is \$3,207,013 (2016: \$3,035,281), 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, 2017

5. CAPITAL ASSETS

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

	2017	2016
Balance, beginning of the year	\$ 41,218,022	\$ 41,699,777
Purchase of capital assets funded by deferred capital contributions	2,708,475	1,856,505
Purchase of internally funded capital assets	918,127	-
Capital assets contributed during the year	-	88,180
Amortization of capital assets	(3,106,049)	(2,426,440)
Balance, end of the year	\$ 41,738,575	\$ 41,218,022

Amortization of capital assets agrees to amortization of deferred capital contributions of \$3,102,331 (2016: \$2,422,722) and amortization of investment in capital assets of \$3,718 (2016: \$3,718), which has been recognized as revenue during the year.

Capital assets consist of the following:

	2017		2016	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 876,681	\$ -	\$ 876,681	\$ 876,681
Buildings	33,851,765	13,936,934	19,914,831	20,743,643
Mechanical equipment	3,959,984	2,445,790	1,514,194	1,039,251
Gardens and natural area infrastructures	21,786,614	6,148,213	15,638,401	16,592,394
Roadways and parking lots	2,493,900	2,142,323	351,577	451,450
Vehicles and equipment	2,823,139	2,528,306	294,833	381,420
Furniture and fixtures	2,762,471	1,913,741	848,730	954,517
Computer equipment	2,175,739	2,140,493	35,246	105,182
Media stock	252,244	252,244	-	-
Exhibits	985,806	944,139	41,667	73,484
Construction in progress	2,222,415	-	2,222,415	-
	\$ 74,190,758	\$ 32,452,183	\$ 41,738,575	\$ 41,218,022

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2017	2016
Balance, beginning of the year	\$ 38,983,002	\$ 38,046,519
Capital contributions used during the year	3,830,147	3,359,205
Amortization of deferred capital contributions	(3,102,331)	(2,422,722)
Balance, end of the year	\$ 39,710,818	\$ 38,983,002

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. DEFERRED OPERATING CONTRIBUTIONS

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

	2017	2016
Balance, beginning of the year	\$ 7,935,726	\$ 8,293,528
Contributions received from corporate and private sources	2,036	3,226
Amount drawn from funds during the year	(1,166,346)	(911,428)
Investment income allocation	299,741	305,459
Restricted investment income earned on endowments	137,684	98,566
Change in market value of investments	123,936	146,375
	(602,949)	(357,802)
Balance, end of the year	\$ 7,332,777	\$ 7,935,726

Deferred operating contributions consist of the following major external restrictions:

Operations	\$ 100,505	\$ 202,041
Gardens and natural lands	5,124,954	5,625,984
Collections	208,230	190,765
Science and education	1,149,307	1,110,258
Staffing and administration	749,781	806,678
	\$ 7,332,777	\$ 7,935,726

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

	Unrestricted	Invested in capital assets	Total
Balance, beginning of the year	\$ 1,062,793	\$ 1,367,511	\$ 2,430,304
Excess of revenues over expenses for operations	42,733	-	42,733
Purchase of internally funded capital assets	(918,127)	918,127	-
Amortization of investment in capital assets	-	(3,718)	(3,718)
Funds received relating to prior years' internally funded capital assets	1,122,001	(1,122,001)	-
Change in unrealized gain on investments	157,386	-	157,386
Balance, end of the year	\$ 1,466,786	\$ 1,159,919	\$ 2,626,705

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

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. INTERNALLY RESTRICTED NET ASSETS

During the year, the RBG received an unrestricted estate donation in the amount of nil (2016: \$88,929). The donation is internally restricted by the RBG Board of Directors for maintaining the garden areas and strategic initiatives. The RBG Board will approve the use of these funds. During the year, no amounts were drawn from the internally restricted net assets.

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.

	2017	2016
Balance, beginning of the year	\$ 2,806,595	\$ 2,707,997
Endowments received from private sources	1,200	2,527
Amount drawn from funds during the year	(8,437)	-
Investment income required to be held as endowment	17,148	16,812
Change in market value of investments	57,606	79,259
Balance, end of the year	\$ 2,874,112	\$ 2,806,595

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, 2017, the balance of unrestricted funds of the Auxiliary was \$88,777 (2016: \$122,244). During the year, the Auxiliary made donations of \$25,500 (2016: \$25,500) to the RBG.

12. COMMITMENTS AND CONTINGENCIES

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

13. RECLASSIFICATION

Certain 2016 comparative amounts were reclassified to conform to the current year's financial statement presentation.

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

14. REVENUE

	2017	2016
Admissions, memberships and other program revenue consists of:		
Admissions and special events	\$ 1,503,051	\$ 1,098,439
Membership fees	1,000,460	893,047
Food and beverage	392,933	304,780
Rentals	559,240	453,783
Garden shop sales	813,696	712,825
Other income	124,702	100,499
Total admissions, memberships and other programs	\$ 4,394,082	\$ 3,563,373
Mandated activities consists of:		
Horticulture - gardens, parklands and collections	760,401	727,200
Conservation and environmental programs	568,487	905,513
Scientific and research programs	494,839	330,206
Education programs	1,871,569	1,323,319
Total mandated activities	\$ 3,695,296	\$ 3,286,238
Donations received during the year	\$ 3,835,391	\$ 4,806,511
Add: Prior year deferred amounts recognized as revenue		
Deferred revenue	99,133	209,322
Deferred operating contributions	1,166,346	911,428
Green angel deferred donations	72,373	50,295
Deferred revenue grants	902,746	511,868
Less: Donations deferred for future years		
Donations included in deferred revenue	(220,071)	(30,000)
Green angel donations included in deferred revenue	(59,817)	(74,900)
Deferred grants included in deferred revenue	(1,352,168)	(1,296,301)
Deferred operating contributions	(2,400)	(5,755)
Deferred capital contributions	(1,433,301)	(2,255,016)
Donations recognized as mandated revenue	(2,200,527)	(1,796,031)
Donations-in-kind	(43,841)	(137,141)
Donations recognized as internally restricted	-	(88,929)
Total development - donations	\$ 763,864	\$ 805,351
Investment income earned during the year	\$ 922,258	\$ 787,012
Less: Investment management fees	(107,449)	(100,182)
Net investment funds available for allocation	814,809	686,830
Allocation to deferred operating contributions	(437,425)	(404,025)
Allocation to internally restricted net assets	(134,468)	(107,917)
Allocation to endowments	(17,148)	(16,812)
Total investment income	\$ 225,768	\$ 158,076

ROYAL BOTANICAL GARDENS
(A Corporation without Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017.

(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, 2017, cash of \$21,395 (2016: bank indebtedness of \$10,463) is recorded in US dollars and converted into Canadian dollars. Approximately 40% (2016: 41%) 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.