

# The George R. Gardiner Museum of Ceramic Art

Financial statements  
December 31, 2018



# Independent auditor's report

To the Trustees of  
**The George R. Gardiner Museum of Ceramic Art**

## Opinion

We have audited the financial statements of **The George R. Gardiner Museum of Ceramic Art** [the "Museum"], which comprise the statement of financial position as at December 31, 2018 and the statement of operations, statement of changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Museum as at December 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## 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 Museum 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.

## Other information included in the Museum's 2018 annual report

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 Canadian generally accepted 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.

In preparing the financial statements, management is responsible for assessing the Museum'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 Museum or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Museum'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.

As part of an 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 Museum'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 Museum'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 Museum 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.

Toronto, Canada  
June 13, 2018

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



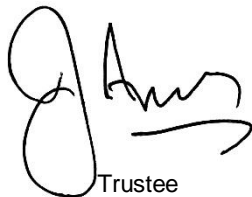
# The George R. Gardiner Museum of Ceramic Art

## Statement of financial position

As at December 31

	2018	2017
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	339,989	810,789
Accounts receivable [note 13]	582,859	272,142
Inventory	101,128	117,149
Prepaid expenses	171,360	110,194
<b>Total current assets</b>	<b>1,195,336</b>	<b>1,310,274</b>
<b>Long-term</b>		
Investments, fair value [note 3[a]]	25,114,227	27,246,184
Capital assets, net [note 4]	14,690,944	13,706,658
<b>Total long-term assets</b>	<b>39,805,171</b>	<b>40,952,842</b>
	<b>41,000,507</b>	<b>42,263,116</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	243,739	217,937
Deferred revenue	153,104	129,393
Deferred contributions [note 5]	592,567	564,668
<b>Total current liabilities</b>	<b>989,410</b>	<b>911,998</b>
<b>Long-term</b>		
Deferred capital contributions [note 6]	11,959,283	11,823,222
<b>Total liabilities</b>	<b>12,948,693</b>	<b>12,735,220</b>
<b>Net assets</b>		
Unrestricted	—	—
Endowment [note 9]	28,051,814	29,527,896
<b>Total net assets</b>	<b>28,051,814</b>	<b>29,527,896</b>
	<b>41,000,507</b>	<b>42,263,116</b>

See accompanying notes



Trustee



Trustee

# The George R. Gardiner Museum of Ceramic Art

## Statement of operations

Year ended December 31

	2018		2017	
	General operations	Other	Total	Total
	\$	\$	\$	\$
<b>Revenue</b>				
Fundraising <i>[note 11]</i>	1,572,594	50,000	1,622,594	1,192,732
Government grants <i>[note 7]</i>	852,913	41,382	894,295	609,062
Education	512,491	—	512,491	511,993
Facility rental	390,154	—	390,154	444,084
Museum shop	305,816	—	305,816	324,244
Admissions	167,445	—	167,445	163,816
Investment income (loss), net <i>[notes 3[b] and 9[b]]</i>	—	(433,960)	(433,960)	1,664,678
Amortization of deferred capital contributions <i>[note 6]</i>	—	566,388	566,388	418,086
Other income <i>[note 13]</i>	63,186	—	63,186	8,031
	<b>3,864,599</b>	<b>223,810</b>	<b>4,088,409</b>	<b>5,336,726</b>
<b>Expenses</b>				
Curatorial <i>[note 10]</i>	892,500	96,480	988,980	806,785
Administration	994,878	—	994,878	765,915
Facilities	888,746	—	888,746	878,886
Education	643,216	—	643,216	508,802
Annual fundraising	485,972	—	485,972	413,135
Marketing and publicity	460,731	—	460,731	412,311
Museum shop and commercial <i>[note 8]</i>	361,786	—	361,786	327,653
Amortization of capital assets	—	742,526	742,526	636,649
	<b>4,727,829</b>	<b>839,006</b>	<b>5,566,835</b>	<b>4,750,136</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(863,230)</b>	<b>(615,196)</b>	<b>(1,478,426)</b>	<b>586,590</b>

See accompanying notes

The George R. Gardiner Museum of Ceramic Art

Statement of changes in net assets

Year ended December 31

	2018			2017		
	Unrestricted \$	Endowment \$	Total \$	Unrestricted \$	Endowment \$	Total \$
		<i>[note 9]</i>			<i>[note 9]</i>	
<b>Net assets, beginning of year</b>	—	29,527,896	29,527,896	—	28,711,662	28,711,662
Excess (deficiency) of revenue over expenses for the year	(1,478,426)	—	(1,478,426)	586,590	—	586,590
Endowment contributions	—	49,895	49,895	—	161,265	161,265
Investment loss on externally endowed funds	—	(47,551)	(47,551)	—	—	—
Investment income in excess of amount made available for spending <i>[note 9[b]]</i>	—	—	—	—	68,379	68,379
Interfund transfers <i>[note 9[d]]</i>	1,478,426	(1,478,426)	—	(586,590)	586,590	—
<b>Net assets, end of year</b>	—	28,051,814	28,051,814	—	29,527,896	29,527,896

See accompanying notes

# The George R. Gardiner Museum of Ceramic Art

## Statement of cash flows

Year ended December 31

	2018	2017
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(1,478,426)	586,590
Add (deduct) items not involving cash		
Amortization of capital assets	742,526	636,649
Amortization of deferred capital contributions	(566,388)	(418,086)
Investment loss (income) reinvested, net of management fees	433,960	(1,664,678)
	<u>(868,328)</u>	<u>(859,525)</u>
Net change in non-cash working capital balances related to operations	(269,335)	(78,563)
<b>Cash provided by (used in) operating activities</b>	<u>(1,137,663)</u>	<u>(938,088)</u>
<b>Investing activities</b>		
Withdrawals from externally managed investments	1,650,446	771,416
Purchase of capital assets	(1,726,812)	(451,954)
<b>Cash provided by (used in) investing activities</b>	<u>(76,366)</u>	<u>319,462</u>
<b>Financing activities</b>		
Contributions restricted for capital purposes	693,334	350,802
Endowment contributions	49,895	161,265
<b>Cash provided by financing activities</b>	<u>743,229</u>	<u>512,067</u>
<b>Net increase (decrease) in cash during the year</b>	<b>(470,800)</b>	<b>(106,559)</b>
Cash and cash equivalents, beginning of year	<u>810,789</u>	<u>917,348</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>339,989</b></u>	<u><b>810,789</b></u>

See accompanying notes

# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2018

### 1. General

The George R. Gardiner Museum of Ceramic Art [the "Museum"] was incorporated under the *Gardiner Museum Act* passed in 1981 by the Ontario Legislature.

The purpose of the Museum is to:

- [a] collect, conserve, lend and exhibit to the public works of ceramic, decorative and fine art and materials associated with civilizations producing art;
- [b] promote research, education and public interest in the origin, history, development, techniques and appreciation of ceramic, decorative and fine art; and
- [c] provide facilities and services for the purposes referred to above.

The Museum is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### Revenue recognition

The Museum follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as a direct increase in net assets when initially recorded in the accounts.

Sales and service revenue is recognized when goods are delivered and services rendered.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, realized gains and losses on all investments and unrealized gains and losses on investments recorded at fair value, is recorded as investment income (loss) in the statement of operations, except where it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.



# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2018

### Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market, investments in pooled funds, as well as any investments in fixed income securities that the Museum designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value net of transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

### Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with original terms to maturity of 90 days or less. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than for liquidity purposes are classified as long-term investments.

### Inventory

Inventory is valued at the lower of cost, determined on a weighted average basis, and net realizable value.

### Collections

The cost of ceramics and other collection items are expensed. The value of donated collection items is not included in the statement of operations.

### Capital assets

Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair value as at the date of contribution. Amortization is provided on a straight-line basis over the assets' useful lives as follows:

#### *Tangible*

Land-use costs	Term of lease
Building and building improvements	10–40 years
Exhibit cases, furniture and other equipment	3–10 years

#### *Intangible*

Website costs	3–5 years
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# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2018

### Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

### Segmented information

The statement of operations separates transactions between general operations and other. Other includes the difference between net investment income (loss) less investment fees recorded in the statement of operations and the amount made available for general operations approved by the Board of Trustees [the "Board"], amortization of capital assets and deferred capital contributions, and certain unusual revenue and expenses.

All other revenue and expenses of the Museum are recorded in general operations in the statement of operations.

### Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to providing the function. General support and other costs are not allocated to functions.

### 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, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Areas requiring the use of management's estimates include the estimated useful lives of capital assets. Actual results could differ from those estimates.

## 3. Investments

[a] Investments recorded at fair value consist of the following:

	2018 \$	2017 \$
Cash	469,319	144,059
Units in pooled funds		
Canadian bonds	6,570,582	7,251,399
Canadian equities	2,316,968	4,719,482
Foreign equities	15,757,358	15,131,244
	<u>25,114,227</u>	<u>27,246,184</u>

[b] Investment income (loss) is net of investment management fees of \$139,060 [2017 – \$134,756].

# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2018

### 4. Capital assets

Capital assets consist of the following:

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
<b>Tangible</b>			
Land-use costs	550,000	198,000	352,000
Building and building improvements	19,462,104	5,660,388	13,801,716
Exhibit cases, furniture and other equipment	1,756,076	1,257,088	498,988
	<b>21,768,180</b>	<b>7,115,476</b>	<b>14,652,704</b>
<b>Intangible</b>			
Website costs	114,720	76,480	38,240
	<b>21,882,900</b>	<b>7,191,956</b>	<b>14,690,944</b>
	<b>2017</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
<b>Tangible</b>			
Land-use costs	550,000	192,500	357,500
Building and building improvements	18,220,551	5,045,189	13,175,362
Exhibit cases, furniture and other equipment	1,270,817	1,173,501	97,316
	<b>20,041,368</b>	<b>6,411,190</b>	<b>13,630,178</b>
<b>Intangible</b>			
Website costs	114,720	38,240	76,480
	<b>20,156,088</b>	<b>6,449,430</b>	<b>13,706,658</b>

Exhibit cases, furniture and other equipment include items of \$220,775 [2017 – \$26,592] and building and building improvements include renovation costs of \$1,055,135 [2017 – nil], which were in progress as at December 31, 2018. Accordingly, no amortization was recorded during the year on assets in progress.

Land-use costs represent those incurred in 1983 associated with a \$1 per year land lease expiring in 2082.

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2018

#### 5. Deferred contributions

Deferred contributions represent grants and donations related to future years' operations. The continuity of deferred contributions is as follows:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>564,668</b>	577,443
Amounts received during the year	<b>876,581</b>	532,464
Amounts recognized as revenue during the year	<b>(839,567)</b>	(468,795)
Amounts transferred to deferred capital contributions	<b>(9,115)</b>	(76,444)
<b>Balance, end of year</b>	<b>592,567</b>	564,668

#### 6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The annual amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>11,823,222</b>	11,814,062
Contributions restricted for capital purposes	<b>693,334</b>	350,802
Amounts transferred from deferred contributions	<b>9,115</b>	76,444
Amortization of deferred capital contributions	<b>(566,388)</b>	(418,086)
<b>Balance, end of year</b>	<b>11,959,283</b>	11,823,222

Included in the deferred capital contributions balance as at December 31, 2018, are \$289,225 [2017 – nil] of unspent amounts for capital projects to be spent in future years.

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2018

#### 7. Government grants

Government grants include operational support and project specific grants and consist of the following:

	2018	2017
	\$	\$
Canadian Heritage – Van Horne	203,120	30,108
City of Toronto – Operating	158,370	155,265
Ministry of Tourism and Culture – Operating	145,482	145,482
Federal Economic Development Agency – Lobby & Clay Studio	144,706	20,000
Ontario Arts Council – Operating	71,235	69,160
Canada Council for the Arts – Operating	70,000	70,000
Ontario Cultural Attractions Fund – Yoko Ono	60,000	—
City of Toronto – National Sculpture Competition	41,382	58,618
Canadian Heritage – Lobby & Clay Studio	—	60,429
	<b>894,295</b>	<b>609,062</b>

#### 8. Expenses

Museum shop expenses include cost of sales of \$151,630 [2017 – \$171,581].

#### 9. Endowment net assets

[a] Endowment net assets consist of amounts subject to donor and Board-imposed restrictions relating to maintaining the principal and using the income in accordance with any purposes established by the donor or the Board. Endowment net assets consist of the following:

	2018	2017
	\$	\$
Externally endowed	2,490,572	2,594,808
Internally endowed	25,561,242	26,933,088
	<b>28,051,814</b>	<b>29,527,896</b>

The internally endowed net assets include amounts that have been restricted by the Board to help ensure the long-term financial security of the Museum.

[b] The Board has established a policy with the objective of protecting the real value of endowment net assets by limiting the amount of income made available for spending and requiring the reinvestment of any income earned in excess of this limit. The amount available for spending is calculated based on a percentage [4.75%] of the five-year moving average of the market value of investments at year-end.

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2018

For externally endowed funds, the preservation of capital is recorded as a direct increase in endowment net assets. In any year, should net investment income not be sufficient to fund the amount to be made available for spending on externally endowed funds or the investment return is negative, the amount to be made available is recorded as a decrease in the endowment fund.

For internally endowed funds, investment income is recorded in the statement of operations, with the amount to be made available for spending recorded in general operations. Any excess of revenue over expenses for the year is transferred to the internally endowed funds. In any year, if there is a deficiency of revenue over expenses related to operations, an amount is transferred from internally endowed net assets to unrestricted net assets.

In 2018, there was a net investment loss of \$481,511 on investments held for endowments. Investment losses of \$47,551 related to externally endowed net assets were recorded directly in the endowment fund. Investment losses of \$433,960 related to internally endowed assets were recorded in the statement of operations. The shortfall of investment income earned on externally endowed net assets and the calculated amount made available for spending of \$106,580 was transferred from the external endowment fund to the unrestricted fund *[note 9[d]]*. The shortfall of investment income earned on internally endowed net assets and the calculated amount made available for spending of \$920,622 was transferred from the internal endowment fund to the unrestricted fund *[note 9[d]]*. A further \$433,960, representing net investment losses related to internally endowed net assets, was transferred from the internal endowment fund to the unrestricted fund *[note 9[d]]*.

In 2017, net investment income of \$168,508 was earned on investments held for the externally endowed portion of endowment net assets. Of this total, \$100,129 was made available for spending and included in general operations revenue in the statement of operations. The amount earned on externally endowed funds in excess of the amount available for spending of \$68,379 was added to endowment net assets in the statement of changes in net assets. Investment income of \$1,564,549 was earned on the internally endowed portion of endowment net assets and recorded in the statement of operations, of which \$862,000 was available for spending and recorded in general operations.

- [c] Effective December 31, 2018, the Board approved a transfer of \$17,264, representing the deficiency of revenue over expenses, from the internally endowed portion of endowment net assets to unrestricted net assets.

Effective December 31, 2017, the Board approved a transfer of \$586,590, representing the excess of revenue over expenses, to the internally endowed portion of endowment net assets from unrestricted net assets.

**The George R. Gardiner Museum of Ceramic Art**

**Notes to financial statements**

December 31, 2018

[d] Interfund transfers consist of the following:

	<b>2018</b>	
	<b>Unrestricted fund</b>	<b>Endowment fund</b>
	\$	\$
Shortfall between investment income earned and the amount available for spending related to externally endowed funds <i>[note 9[b]]</i>	106,580	(106,580)
Shortfall between investment income earned and the amount available for spending related to internally endowed funds <i>[note 9[b]]</i>	920,622	(920,622)
Transfer of investment loss on internally endowed funds <i>[note 9[b]]</i>	433,960	(433,960)
Transfer of deficiency of revenue over expenses	17,264	(17,264)
	<b>1,478,426</b>	<b>(1,478,426)</b>

	<b>2017</b>	
	<b>Unrestricted fund</b>	<b>Endowment fund</b>
	\$	\$
Transfer of excess of revenue over expenses	(586,590)	586,590
	<b>(586,590)</b>	<b>586,590</b>

**10. Collection of ceramic art**

The Museum has an extensive collection of ceramic art, the value of which is not recorded in the statement of financial position. In 2018, collections with a fair value of \$224,398 [2017 – \$207,840] were donated to the Museum. These donations have not been recorded in the financial statements. In 2018, curatorial expenses included acquisitions of ceramic art with a cost of \$17,775 [2017 – \$8,528].

**11. Ontario Arts Foundation Endowment Fund Program**

The Museum participates in the Arts Endowment Fund Program administered by the Ontario Arts Foundation [the “OAF”]. As at December 31, 2018, the OAF held \$1,008,473 [2017 – \$1,078,846] for the benefit of the Museum, which is not reflected in the financial statements.

During 2018, \$47,573 [2017 – \$46,382], representing amounts distributed under the Arts Endowment Fund Program, is included in fundraising revenue.

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2018

#### 12. The George R. Gardiner Museum of Ceramic Art – U.S.

The George R. Gardiner Museum of Ceramic Art – U.S. is a separate corporation without share capital and with its own Board of Directors; its purpose is to support and carry out tax exempt purposes of the George R. Gardiner Museum of Ceramic Art and other publicly supported organizations with compatible purposes. It is able to accept donations, gifts, legacies and bequests and issue U.S. charitable donation receipts. The George R. Gardiner Museum of Ceramic Art – U.S. is exempt from U.S. federal and state income taxes. During the year, the museum received in-kind contributions [note 10] with a fair value of \$18,000 and cash contributions of \$11,100 [2017 – \$12,500 in cash] from The George R. Gardiner Museum of Ceramic Art – U.S. As at December 31, 2018 and 2017, The George R. Gardiner Museum of Ceramic Art – U.S. had no net assets.

#### 13. HST receivable

The Museum underwent a process to claim additional Input Tax Credits for the period of 2014–2018 during 2018. The additional credits for the 2014-2017 period are recorded in other income in the statement of operations. The additional credits relating to 2018 were offset against the related 2018 expenses in the statement of operations. As at December 31, 2018, the Museum has recorded HST receivable of \$335,740, which includes additional credits of \$34,357 plus monthly filings [2017 – \$75,432 for monthly filings].

#### 14. Financial instruments and risk management

The Museum is exposed to various financial risks through transactions in its financial instruments.

##### Currency risk

The Museum is exposed to foreign currency risk with respect to the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

##### Credit risk

The Museum is exposed to credit risk in connection with its accounts receivable and the underlying fixed income investments of its pooled funds because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

##### Interest rate risk

The Museum is exposed to interest rate risk with respect to the underlying fixed income investments in pooled funds because the fair value will fluctuate due to changes in market interest rates.

##### Other price risk

The Museum is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in pooled funds.

#### 15. Comparative financial statements

The comparative financial statements have been reclassified from financial statements previously presented to conform to the presentation of the 2018 financial statements.