

# The George R. Gardiner Museum of Ceramic Art

Financial statements  
December 31, 2020



# 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, 2020, and the statement of operations, statement of changes in net assets and 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, 2020 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 2020 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 17, 2021

*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

	2020	2019
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	551,623	801,930
Accounts receivable	229,506	211,146
Inventory	154,190	123,103
Prepaid expenses	78,917	88,485
<b>Total current assets</b>	<b>1,014,236</b>	<b>1,224,664</b>
Investments, fair value <i>[note 3[a]]</i>	27,795,226	27,425,333
Capital assets, net <i>[note 4]</i>	13,646,033	14,368,531
Collections <i>[note 10]</i>	1	1
	<b>42,455,496</b>	<b>43,018,529</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 13]</i>	261,930	410,619
Deferred revenue	138,800	169,111
Deferred contributions <i>[note 5]</i>	697,262	435,881
<b>Total current liabilities</b>	<b>1,097,992</b>	<b>1,015,611</b>
Deferred capital contributions <i>[note 6]</i>	11,126,576	11,724,944
<b>Total liabilities</b>	<b>12,224,568</b>	<b>12,740,555</b>
<b>Net assets</b>		
Unrestricted	—	—
Endowment <i>[note 9]</i>	30,230,928	30,277,974
<b>Total net assets</b>	<b>30,230,928</b>	<b>30,277,974</b>
	<b>42,455,496</b>	<b>43,018,529</b>

See accompanying notes

On behalf of the Board:



James Appleyard



Bonnie Zelman

## The George R. Gardiner Museum of Ceramic Art

### Statement of operations

Year ended December 31

	2020		2019	
	General operations	Other	Total	Total
	\$	\$	\$	\$
<b>Revenue</b>				
Government grants <i>[note 5 and 7]</i>	1,272,171	—	1,272,171	454,414
Fundraising <i>[note 5 and 11]</i>	974,754	—	974,754	1,433,289
Education	111,093	—	111,093	549,697
Museum shop	83,359	—	83,359	264,528
Facility rental	88,383	—	88,383	552,787
Admissions	27,786	—	27,786	292,260
Other income	52,517	—	52,517	129,988
Investment income, net <i>[notes 3[b] and 9[b]]</i>	933,157	—	933,157	3,127,722
Amortization of deferred capital contributions <i>[note 6]</i>	—	647,529	647,529	638,669
	<b>3,543,220</b>	<b>647,529</b>	<b>4,190,749</b>	<b>7,443,354</b>
<b>Expenses</b>				
Curatorial <i>[note 10]</i>	828,241	—	828,241	1,085,821
Facilities	848,465	—	848,465	983,552
Administration	789,285	—	789,285	884,346
Education	344,757	—	344,757	630,444
Marketing and publicity	256,257	—	256,257	447,584
Annual fundraising	178,352	—	178,352	373,000
Museum shop and commercial <i>[note 8]</i>	153,698	—	153,698	270,866
Amortization of capital assets	—	842,940	842,940	863,546
	<b>3,399,055</b>	<b>842,940</b>	<b>4,241,995</b>	<b>5,539,159</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>144,165</b>	<b>(195,411)</b>	<b>(51,246)</b>	<b>1,904,195</b>

See accompanying notes

The George R. Gardiner Museum of Ceramic Art

Schedule of changes in net assets

Year ended December 31

	2020		
	Unrestricted	Endowment	Total
	\$	\$	\$
	<i>[note 9]</i>		
<b>Net assets, beginning of year</b>	—	30,277,974	30,277,974
Deficiency of revenue over expenses for the year	(51,246)	—	(51,246)
Endowment contributions	—	4,200	4,200
Interfund transfers <i>[note 9[d]]</i>	51,246	(51,246)	—
<b>Net assets, end of year</b>	—	30,230,928	30,230,928

  

	2019		
	Unrestricted	Endowment	Total
	\$	\$	\$
	<i>[note 9]</i>		
<b>Net assets, beginning of year</b>	1	28,051,814	28,051,815
Excess of revenue over expenses for the year	1,904,195	—	1,904,195
Endowment contributions	—	138,377	138,377
Investment income in excess of amount made available for spending <i>[note 9[b]]</i>	—	183,587	183,587
Interfund transfers <i>[note 9[d]]</i>	(1,904,196)	1,904,196	—
<b>Net assets, end of year</b>	—	30,277,974	30,277,974

See accompanying notes

## The George R. Gardiner Museum of Ceramic Art

### Statement of cash flows

Year ended December 31

	2020	2019
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(51,246)	1,904,195
Add (deduct) items not involving cash		
Amortization of capital assets	842,940	863,546
Amortization of deferred capital contributions	(647,529)	(638,669)
Investment income reinvested, net of management fees	(919,893)	(3,110,813)
	(775,728)	(981,741)
Net change in non-cash working capital balances related to operations	41,663	446,190
<b>Cash used in operating activities</b>	(734,065)	(535,551)
<b>Investing activities</b>		
Withdrawals from externally managed investments	550,000	983,294
Purchase of capital assets	(120,442)	(541,133)
<b>Cash provided by investing activities</b>	429,558	442,161
<b>Financing activities</b>		
Contributions restricted for capital purposes	50,000	416,954
Endowment contributions	4,200	138,377
<b>Cash provided by financing activities</b>	54,200	555,331
<b>Net increase (decrease) in cash during the year</b>	(250,307)	461,941
Cash and cash equivalents, beginning of year	801,930	339,989
<b>Cash and cash equivalents, end of year</b>	551,623	801,930

See accompanying notes

# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2020

### 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, 2020

### 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 Museum records its collections at nominal value on the statement of financial position. For purchased collection items, the difference between the purchase price of the items and nominal value is recognized as an expense in the statement of operations. Items donated to the Museum are not recorded in the financial statements.

Proceeds from the sale of collection items are used either to acquire new items for the collection or for the direct care of the collection. Proceeds from the sale of collection items that are subject to external restrictions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2020

### Capital assets

Purchased capital assets are recorded 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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Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Museum's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

### 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.

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2020

#### 3. Investments

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

	2020 \$	2019 \$
Cash	445,717	500,820
Units in pooled funds		
Canadian bonds	7,335,408	6,816,445
Canadian equities	4,961,285	5,013,626
Foreign equities	15,052,816	15,094,442
	<u>27,795,226</u>	<u>27,425,333</u>

[b] Investment income (loss) is net of investment management fees of \$133,493 [2019 – \$129,887].

#### 4. Capital assets

Capital assets consist of the following:

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
<b>Tangible</b>			
Land-use costs	550,000	209,000	341,000
Building and building improvements	19,863,146	7,046,552	12,816,594
Exhibit cases, furniture and other equipment	2,006,609	1,521,503	485,106
	<u>22,419,755</u>	<u>8,777,055</u>	<u>13,642,700</u>
<b>Intangible</b>			
Website costs	124,720	121,387	3,333
	<u>22,544,475</u>	<u>8,898,442</u>	<u>13,646,033</u>

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2020

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
<b>Tangible</b>			
Land-use costs	550,000	203,500	346,500
Building and building improvements	19,764,680	6,343,338	13,421,342
Exhibit cases, furniture and other equipment	1,984,633	1,390,611	594,022
	<u>22,299,313</u>	<u>7,937,449</u>	<u>14,361,864</u>
<b>Intangible</b>			
Website costs	124,720	118,053	6,667
	<u>22,424,033</u>	<u>8,055,502</u>	<u>14,368,531</u>

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

As of December 31, 2020, \$51,440 [2019 – nil] of capital assets have not been amortized since they were not yet in use.

#### 5. Deferred contributions

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

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Balance, beginning of year</b>	<b>435,881</b>	592,567
Amounts received during the year	<b>717,402</b>	372,957
Amounts recognized as revenue during the year	<b>(456,860)</b>	(542,267)
Amounts transferred from deferred capital contributions, net	<b>839</b>	12,624
<b>Balance, end of year</b>	<b><u>697,262</u></b>	435,881

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2020

#### 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:

	2020 \$	2019 \$
<b>Balance, beginning of year</b>	<b>11,724,944</b>	11,959,283
Contributions restricted for capital purposes	<b>50,000</b>	416,954
Amounts transferred to deferred contributions, net	<b>(839)</b>	(12,624)
Amortization of deferred capital contributions	<b>(647,529)</b>	(638,669)
<b>Balance, end of year</b>	<b>11,126,576</b>	11,724,944

Included in the deferred capital contributions balance as at December 31, 2020 are \$59,517 [2019 – \$62,216] of unspent amounts for capital projects to be spent in future years.

#### 7. Government grants

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

	2020 \$	2019 \$
Federal COVID-19 Relief <i>[note 15]</i>	<b>791,881</b>	—
City of Toronto – Operating	<b>161,535</b>	161,535
Ministry of Tourism and Culture – Operating	<b>145,482</b>	145,482
Canada Council for the Arts – Operating	<b>70,000</b>	70,000
Ontario Arts Council – Operating	<b>64,085</b>	77,397
Provincial COVID-19 Relief <i>[note 15]</i>	<b>21,689</b>	—
Canada Council for the Arts – COVID-19 relief	<b>17,500</b>	—
	<b>1,272,171</b>	454,414

#### 8. Expenses

Museum shop expenses include cost of sales of \$66,792 [2019 – \$187,696].

# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2020

### 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:

	2020	2019
	\$	\$
Externally endowed	<b>2,794,977</b>	2,812,536
Internally endowed	<b>27,435,951</b>	27,465,438
	<b>30,230,928</b>	30,277,974

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.

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 shortfall is recorded as a transfer from the endowment fund to the unrestricted 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 2020, net investment income of \$104,302 was earned on investments held for the externally endowed portion of endowment net assets and is included in general operations revenue in the statement of operations. An amount of \$126,061 was made available for spending. The shortfall of investment income earned on externally endowed net assets and the calculated amount made available for spending of \$21,759 was transferred from the external endowment fund to the unrestricted fund [note 9[d]]. Investment income of \$828,855 was earned on the internally endowed portion of endowment net assets and recorded in the statement of operations, under general operations. The shortfall of investment income earned on internally endowed net assets and the calculated amount made available for spending of \$46,303 was transferred from the internal endowment fund to the unrestricted fund [note 9[d]].

# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2020

In 2019, net investment income of \$301,141 was earned on investments held for the externally endowed portion of endowment net assets. Of this total, \$117,554 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 \$183,587 was added to endowment net assets in the statement of changes in net assets. Investment income of \$3,010,168 was earned on the internally endowed portion of endowment net assets and recorded in the statement of operations, of which \$866,666 was available for spending and recorded in general operations.

- [c] Effective December 31, 2020, the Board approved a transfer of \$16,816 from unrestricted net assets to the internally endowed portion of endowment net assets representing the excess of revenue over expenses for the year, after providing for the shortfall of investment income earned to the amounts available for spending on externally and internally endowed funds [notes 9[b][d]].

Effective December 31, 2019, the Board approved a transfer of \$1,904,196, to the internally endowed portion of endowment net assets from unrestricted net assets representing the excess of revenue over expenses for the year.

- [d] Interfund transfers consist of the following:

	<b>2020</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	<b>21,759</b>	<b>(21,759)</b>
Shortfall between investment income earned and the amount available for spending on internally endowed funds	<b>46,303</b>	<b>(46,303)</b>
Transfer of excess of revenue over expenses [note 9[c]]	<b>(16,816)</b>	<b>16,816</b>
	<b>51,246</b>	<b>(51,246)</b>
	<b>2019</b>	
	<b>Unrestricted fund</b>	<b>Endowment fund</b>
	\$	\$
Transfer of excess of revenue over expenses	(1,904,195)	1,904,195
Transfer of nominal collection amount [note 2]	(1)	1
	<b>(1,904,196)</b>	<b>1,904,196</b>

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2020

#### 10. Collection of ceramic art

The Museum houses approximately 4,000 objects, including European porcelain, ceramics from the Ancient Americas, Chinese porcelain, Japanese porcelain, and contemporary ceramics. The Museum also has within its collections a small number of non-ceramic works directly related to objects in its collections, such as paintings, works on paper, and decorative arts. Two works of public art also form part of the Museum's collections.

In 2020, collections with an appraised fair value of \$370,172 [2019 – \$294,347] were donated to the Museum and related mainly to a tranche of objects from a collection of 17th and 18th century Japanese and European porcelain. Curatorial expenses included purchases of ceramic art of \$28,070 [2019 – \$18,237].

There were no disposals of collection items during the year [2019 – nil]. As at December 31, 2020, there are no amounts of proceeds received and not yet spent from disposals of collection items [2019 – nil].

#### 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, 2020, the OAF held \$1,126,681 [2019 – \$1,104,302] for the benefit of the Museum, which is not reflected in the financial statements.

During 2020, \$46,810 [2019 – \$47,347], representing amounts distributed under the Arts Endowment Fund Program, is included in fundraising revenue.

#### 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 Museum 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 no in-kind contributions [note 10] and cash contributions of USD \$20,235 [2019 – fair value of nil and cash contributions of USD \$4,750] from The George R. Gardiner Museum of Ceramic Art – U.S. As at December 31, 2020 and 2019, The George R. Gardiner Museum of Ceramic Art – U.S. had no net assets.

#### 13. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable nil [2019 – \$12,868].



# The George R. Gardiner Museum of Ceramic Art

## Notes to financial statements

December 31, 2020

### 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. COVID-19

The coronavirus disease 2019 ["COVID-19"] was classified as a pandemic by the World Health Organization in early 2020 and governments around the world have taken unprecedented actions to curtail the spread of the disease. This has impacted businesses around the world especially the art industry. The forced closure of non-essential businesses, which include museums, is expected to continue to have a significant adverse impact on the arts, entertainment and recreation industry, the duration of which is unable to be predicted with any degree of accuracy.

In terms of the Gardiner Museum's investments, global financial markets experienced significant volatility in both equity and fixed income securities prices but have recently stabilized. However, the outcome and timeframe of a recovery from the current pandemic is highly unpredictable, and as such, the valuation of investments could greatly vary until the current uncertainty is resolved.

In 2020, the impact of the COVID-19 on the Gardiner Museum was significant and felt across the Museum's operations. The Museum has been closed for extended periods and, when open, Museum attendance has been reduced. Hospitality revenue earned through event space rentals and education revenue earned through class attendance were limited. Further, membership revenue declined due to restrictions on members' access to clay classes, shop discounts, and programming.

## The George R. Gardiner Museum of Ceramic Art

### Notes to financial statements

December 31, 2020

Government funding continued at anticipated levels based on agreements in place and individuals and others from the private sector contributed to the Gardiner, which offset other revenue declines. The Museum's financial losses were further mitigated by staff reductions where programming was cancelled, and new hiring was not conducted for vacant positions. While additional marketing costs were incurred as the Museum shifted to online communications, generally, marketing costs and other expenses were reduced.

New revenues from government measures included Federal wage subsidies, the Provincial rent subsidy and energy rebates. During the year, the Museum received \$8,220 through the Canada Emergency Rent Subsidy ["CERS"] and energy cost rebate programs, \$25,000 through the Temporary Wage Subsidy for Employers ["TWS"] program and \$758,642 from the Canada Emergency Wage Subsidy ["CEWS"] program, of which \$29,975 is included in accounts receivable at year-end. CERS was a measure that allowed eligible Canadian businesses, non-profit organizations, or charities, which have seen a decrease in revenue during the COVID-19 pandemic, to apply for a subsidy to cover part of their commercial rent or property taxes and other eligible operating utilities starting from September 27, 2020 until June 2021. The CERS revenue included in the fiscal year is for the period of September 27, 2020 to December 31, 2020. TWS was a three-month measure that allowed eligible employers to reduce the amount of payroll deductions needed to remit to the Canada Revenue Agency from March 18, 2020 to June 19, 2020. CEWS was introduced to prevent further job losses, encourage employers to quickly rehire workers previously laid off as a result of COVID-19, and help better position the Canadian economy. The CEWS revenue included in the fiscal year is for the period from March 15, 2020 to December 31, 2020.