
Financial statements of The Royal Ontario Museum

March 31, 2024

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Independent Auditor's Report

To the Trustees of
The Royal Ontario Museum

Opinion

We have audited the financial statements of The Royal Ontario Museum (the "Museum"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 other 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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 GAAS 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 GAAS, 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.

Deloitte LLP

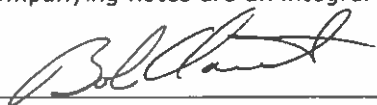
Chartered Professional Accountants
Licensed Public Accountants
June 28, 2024

The Royal Ontario Museum
Statement of financial position

As at March 31, 2024
(In thousands of dollars)

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Investments	2	24	24
Accounts receivable		3,964	3,594
Deferred exhibition costs and other assets		2,214	2,553
Due from The Royal Ontario Museum Foundation	3	4,843	2,167
		11,045	8,338
Capital assets	5	186,656	193,314
		197,701	201,652
Liabilities			
Current liabilities			
Bank indebtedness	6(a)	3,883	6,137
Accounts payable and accrued liabilities		11,241	5,961
Supplemental pension liability	4	2,371	2,333
Deferred revenue		3,462	4,067
Deferred contributions	7	4,624	4,640
		25,581	23,138
Long-term liabilities	11	15,443	14,739
Long-term debt	6(b)	19,802	23,234
Deferred capital contributions	8	179,413	179,494
Accrued non-pension liability	4	10,120	10,094
Asset retirement obligation	12	31	31
		250,390	250,730
Commitments	10		
Net deficit			
Operating Fund		(49,677)	(45,509)
Restricted Fund		919	1,151
Capital Fund		(3,931)	(4,720)
		(52,689)	(49,078)
		197,701	201,652

The accompanying notes are an integral part of the financial statements.


_____, Trustee

The Royal Ontario Museum
Statement of operations

Year ended March 31, 2024
(In thousands of dollars)

	Operating Fund	Restricted Fund	Capital Fund	2024 Total	2023 Total
	\$	\$	\$	\$	\$
Revenue					
Grants					
Province of Ontario - operating	27,721	—	—	27,721	27,292
Province of Ontario - stabilization	6,940	—	—	6,940	—
	34,661	—	—	34,661	27,292
Self-generated revenue					
The Royal Ontario Museum Foundation	5,937	948	156	7,041	9,351
Admission fees	14,514	—	—	14,514	12,895
Event and concession	9,350	—	—	9,350	8,306
Other	3,685	882	—	4,567	4,397
Membership fees	2,685	—	—	2,685	2,740
Programs and education	1,770	—	—	1,770	1,193
	37,941	1,830	156	39,927	38,882
Amortization of deferred capital contributions	—	—	15,268	15,268	14,018
	72,602	1,830	15,424	89,856	80,192
Expenses					
Salaries and benefits	44,664	333	—	44,997	39,437
Supplies and cost of goods sold	6,703	213	—	6,916	6,208
General administration	5,667	571	156	6,394	5,463
Exhibitions	5,585	—	—	5,585	6,517
Utilities	3,636	—	—	3,636	3,211
Interest and other bank charges	2,537	2	—	2,539	1,914
Marketing and promotions	2,395	—	—	2,395	2,565
Repairs and maintenance	2,078	38	—	2,116	2,089
Telephone, equipment and information technology	1,963	43	—	2,006	1,591
Amortization of capital assets	857	—	14,479	15,336	14,663
Other expenses	685	216	—	901	1,140
Objects and specimens	—	646	—	646	789
	76,770	2,062	14,635	93,467	85,587
(Deficiency) excess of revenue over expenses	(4,168)	(232)	789	(3,611)	(5,395)

The accompanying notes are an integral part of the financial statements.

The Royal Ontario Museum
Statement of changes in net deficit

Year ended March 31, 2024
(In thousands of dollars)

	Operating Fund	Restricted Fund	Capital Fund	2024 Total	2023 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	(45,509)	1,151	(4,720)	(49,078)	(43,683)
(Deficiency) excess of revenue over expenses	(4,168)	(232)	789	(3,611)	(5,395)
Balance, end of year	(49,677)	919	(3,931)	(52,689)	(49,078)

The accompanying notes are an integral part of the financial statements.

The Royal Ontario Museum

Statement of cash flows

Year ended March 31, 2024

(In thousands of dollars)

	Notes	2024 \$	2023 \$
Operating activities			
Deficiency of revenue over expenses		(3,611)	(5,395)
Items not involving cash			
Amortization of capital assets		15,336	14,663
Amortization of deferred capital contributions	8	(15,268)	(14,018)
Change in accrued non-pension liability		26	(41)
Change in non-cash operating working capital			
Accounts receivable		(370)	2,723
Deferred exhibition costs and other assets		339	(329)
Due from The Royal Ontario Museum Foundation		(2,676)	(1,512)
Accounts payable and accrued liabilities		5,280	(151)
Supplemental pension liability		38	(79)
Deferred contributions		(16)	(522)
Deferred revenue		(605)	1,414
		(1,527)	(3,247)
Capital activities			
Contributions received for capital asset purchases	8	15,187	10,378
Purchase of capital assets		(8,678)	(8,823)
		6,509	1,555
Financing activities			
Interest on long-term liabilities	11	704	603
Repayments of long-term debt		(3,432)	(100)
		(2,728)	503
Change in bank indebtedness position		2,254	(1,189)
Bank indebtedness, beginning of year		(6,137)	(4,948)
Bank indebtedness, end of year		(3,883)	(6,137)

The accompanying notes are an integral part of the financial statements.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

The Royal Ontario Museum (the "Museum") is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. Opened in 1914, the Royal Ontario Museum showcases art, culture and nature from around the world and across the ages. Among the top 10 cultural institutions in North America, Canada's largest and most comprehensive museum is home to a world-class collection of 13 million art objects and natural history specimens, featured in 40 gallery and exhibition spaces. As the country's preeminent field research institute and an international leader in new and original findings, the ROM plays a vital role in advancing our understanding of the artistic, cultural and natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations ("Standards").

(a) Revenue recognition

The Museum follows the deferral method of accounting for contributions, which include grants and self-generated revenue. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to net assets. Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset.

The Museum receives significant funding in the form of grants from the Ministry of Heritage, Sport, Tourism and Culture Industries, making it significantly dependent on the Province of Ontario.

Membership fees are deferred and recognized as revenue over the term covered by the fees.

Admission fees, museum programs and ancillary services revenue are recorded as revenue when the services have been provided or the goods and services delivered.

(b) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Subsequently, all derivative instruments and equity instruments that are quoted in an active market are reported at fair value. Additionally, management also records all investments at fair value as they are managed and evaluated on a fair value basis.

All other financial instruments are subsequently reported at cost or amortized cost.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

1. Significant accounting policies (continued)

(b) Financial instruments (continued)

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. A statement of remeasurement gains and losses has not been included in these financial statements as the adjustments have been insignificant.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets carried at cost or amortized cost are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Derivative financial instruments are contracts that provide the opportunity to exchange cash flows that are determined by applying certain rates, indices or changes to notional contract amounts. From time to time, the Museum uses interest rate swaps to manage exposure to fluctuations in interest rates and forward foreign currency contracts to manage exposure to fluctuations in exchange rates.

As at March 31, 2024 and 2023, there are no derivative instruments held by the Museum.

(c) Deferred exhibition costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the duration of the exhibitions to which they relate.

(d) Employee future benefits

The Museum provides retirement and other future benefits for substantially all retirees and employees. These future benefits include registered and supplemental defined benefit pensions, which are based on a formula that takes into account earnings and length of service, supplemental defined contribution pension benefits, which are based on earnings in excess of those covered under the registered plan, and post-employment and postretirement health and dental benefits. The supplemental pension plans and the other future benefits are unfunded with benefits paid directly by the Museum.

The Museum participates in The Colleges of Applied Arts and Technology Pension Plan (the "CAAT Plan"). The CAAT Plan is a multi-employer, jointly sponsored pension plan which is financed by contributions from participating members and participating employers, and by investment earnings. Information on the funding policy and total financial status of the CAAT Plan can be found in the CAAT Plan's Annual Report. The CAAT Plan has been accounted for as a defined contribution plan since it is a multi-employer plan.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

1. Significant accounting policies (continued)

(e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 – 10 years
Furniture and equipment	3 – 10 years
Ancillary services	10 years

Ancillary services include retail, store, and food operations.

Assets under construction comprises direct construction and other costs, including capitalized interest. Interest costs are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are ready for use.

(f) Foreign currency translation

Foreign currency translations are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses.

In the year of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses. A statement of remeasurement of gains and losses has not been included in these financial statements as the adjustments have not been significant.

(g) Objects and specimens

The value of objects and specimens has been excluded from the statement of financial position. Gifted objects and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition cost of both gifted and purchased objects and specimens is expensed.

(h) Asset Retirement Obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Museum's capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- (a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

1. Significant accounting policies (continued)

(h) Asset Retirement Obligations (continued)

Liabilities are recognized by the Museum in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of capital assets when those obligations result from the acquisition, construction, development, or normal operation of the capital assets. The obligations are measured initially at management's best estimate of the estimated future cash flows required to settle the retirement obligation. For capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related capital asset.

(i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of capital assets, accounts receivable, accrued liabilities and obligations related to employee future benefits. Actual amounts could differ from those estimates

2. Investments

Investments consist of level 1 preferred securities with a fair value of \$24 (\$24 in 2023).

3. The Royal Ontario Museum Foundation

The Royal Ontario Museum Foundation (the "Foundation") was incorporated on July 1, 1992 to coordinate all private-sector fundraising activities undertaken on behalf of the Museum. The Foundation is a registered charity under the Act. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements, as the Museum and the Foundation do not share common control.

A summary of the financial information for the Foundation for the years ended March 31, 2024, and 2023 is as follows:

	2024	2023
	\$	\$
Total assets	164,578	153,063
Total liabilities	5,427	2,713
	159,151	150,350
Fund balances		
General Fund	1,896	2,500
Expendable Fund	42,478	41,344
Endowment Fund	114,777	106,506
	159,151	150,350

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

3. The Royal Ontario Museum Foundation (continued)

During the year ended March 31, 2024, the Foundation granted \$15,746 (\$14,993 in 2023) to the Museum as follows:

	2024	2023
	\$	\$
Operating	6,370	6,662
Restricted	948	2,086
Capital (deferred capital contributions)	8,428	6,245
	15,746	14,993

Operating grants include certain contributions received for operating purposes, such as programs and education. These amounts are reported in deferred contributions until such time that the intended use of the funds has been fulfilled, upon which revenue will be recognized.

Amounts due from the Foundation are non-interest bearing and have no fixed terms of repayment. These amounts include reimbursement of operating costs paid on behalf of the Foundation and unpaid grants owing to the Museum at year end. The Museum provides space and certain administrative support to the Foundation at no cost.

4. Employee benefits

Pension Plans

(a) The Museum participates in The CAAT Plan, which is a multi-employer pension plan. The Museum's contribution to the plan during the year amounted to \$3,115 (\$3,134 in 2023) and is included in salaries and benefits in the statement of operations. Based on the most recent actuarial valuation as at January 1, 2024, the CAAT Plan has a funding excess of \$5,263 (funding excess of \$4,713 as at January 1, 2023).

(b) The supplemental pension plans are unfunded with benefits paid directly by the Museum. Information for these plans are as follows

	2024			2023		
	Supplementary pension Defined benefit \$	Supplementary pension Defined contribution \$	Total pension \$	Supplementary pension Defined benefit \$	Supplementary pension Defined contribution \$	Total pension \$
Accrued benefit obligation	1,347	682	2,029	1,451	558	2,009
Funded status - plan (deficit)	(1,347)	(682)	(2,029)	(1,451)	(558)	(2,009)
Unamortized net actuarial loss	(342)	—	(342)	(324)	—	(324)
Financial position - asset (liability)	(1,689)	(682)	(2,371)	(1,775)	(558)	(2,333)

The Royal Ontario Museum
Notes to the financial statements
March 31, 2024
(In thousands of dollars)

4. Employee benefits (continued)

The benefits expense arising during the year for the Museum's supplemental pension plan is as follows:

	2024			2023		
	Supplementary pension		Total pension	Supplementary pension		Total pension
	Defined benefit	Defined contribution		Defined benefit	Defined contribution	
	\$	\$	\$	\$	\$	\$
Current periods benefit cost	--	110	110	--	107	107
Interest cost on accrued benefit obligation	54	26	80	48	17	65
Amortization of actuarial losses (gains)	(3)	--	(3)	(100)	--	(100)
Benefits expense	<u>51</u>	<u>136</u>	<u>187</u>	<u>(52)</u>	<u>124</u>	<u>72</u>

Non-Pension plans

The non-pension arrangements include post-employment and post-retirement health and dental benefits. The liability and benefit expense arising during the year are as follows:

	2024	2023
	Non-pension	Non-pension
	\$	\$
Accrued benefit obligation	<u>5,983</u>	<u>7,066</u>
Funded status – plan liability	<u>(5,983)</u>	<u>(7,066)</u>
Unamortized net actuarial loss	<u>(4,137)</u>	<u>(3,028)</u>
Financial position – liability	<u>(10,120)</u>	<u>(10,094)</u>
	2024	2023
	Non-pension	Non-pension
	\$	\$
Current period benefit cost	342	325
Interest cost on accrued benefit obligation	266	230
Amortization of actuarial gains	(333)	(344)
Benefits expense	<u>275</u>	<u>211</u>

Actuarial assumptions

The actuarial assumptions adopted to determine the expense for the Museum's benefit plans are as follows:

	2024		2023	
	Supplementary pension		Supplementary pension	
	Defined Benefit	Defined Contribution	Defined Benefit	Defined Contribution
Discount rate	4.40%	n/a	3.90%	n/a
Expected long-term rate of return on plan assets	n/a	n/a	n/a	n/a
Rate of compensation increase	n/a	n/a	n/a	n/a
Rate of long-term inflation	<u>2.00%</u>	<u>n/a</u>	<u>4.93%</u>	<u>n/a</u>

The Royal Ontario Museum
Notes to the financial statements
 March 31, 2024
 (In thousands of dollars)

4. Employee benefits (continued)

Actuarial assumptions (continued)

	2024		2023	
	Non-pension Post- employment	Post- retirement	Non-pension Post- employment	Post- retirement
Discount rate	4.40%	4.40%	3.90%	3.90%

The actuarial assumptions adopted in measuring the accrued benefit assets and liabilities of the Museum's benefit plans are as follows:

	Supplementary pension		Supplementary pension	
	Defined Benefit	Defined Contribution	Defined Benefit	Defined Contribution
Discount rate	4.30%	n/a	3.90%	n/a
Rate of compensation increase	n/a	n/a	n/a	n/a
Rate of long-term inflation	n/a	n/a	n/a	n/a

	2024		2023	
	Non-pension Post - employment	Post - retirement	Non-pension Post - employment	Post - retirement
Discount rate	4.40%	4.40%	3.90%	3.90%
Weighted average increase in the cost of health care and dental benefits	4.74% in 2024 declining over time to 4.00% in and after 2040		4.93% in 2023 declining over time to 4.00% in and after 2040	

Other information about the Museum's non-pension plans is as follows:

	2024			2023		
	Supplementary pension Defined benefit \$	Defined contribution \$	Total pension \$	Supplementary pension Defined benefit \$	Defined contribution \$	Total pension \$
Employee contributions	—	—	—	—	—	—
Employer contributions	137	12	149	137	14	151
Benefits paid	137	12	149	137	14	151
Loss during the period on accrued benefit obligation	(21)	—	(21)	(75)	—	(75)

	2024 Non-pension \$	2023 Non-pension \$
Employer contributions	249	252
Benefits paid	249	252
Gain during the period on accrued benefit obligation	(1,442)	(660)

The measurement date for the non-pension plans was March 31, 2024.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

5. Capital assets

	Cost \$	Accumulated amortization \$	2024 Net book value \$	2023 Net book value \$
Land	931	—	931	931
Buildings	240,421	125,186	115,235	120,210
Galleries	94,849	74,333	20,516	24,624
Building improvements	89,773	46,056	43,717	42,425
Ancillary services	5,723	5,723	—	—
Furniture and equipment	16,833	10,576	6,257	5,124
	448,530	261,874	186,656	193,314

Included in capital assets are assets under construction as follows:

	2024 \$	2023 \$
Galleries	1,174	1,138
Building improvements	12,674	9,010
Furniture and equipment	—	154
	13,848	10,302

6. Credit facilities

(a) The Museum has a credit agreement with the Museum's banker, as follows:

- (i) \$7,000 demand revolving operating credit facility with interest payable at prime less 10-basis-points. As at March 31, 2024, the outstanding balance in connection with this facility was \$3,883 (\$6,137 in 2023).
- (ii) \$2,000 letter of credit facility. As at March 31, 2024 the Museum had \$50 in outstanding letters of credit (nil in 2023).
- (iii) As at March 31, 2024, the Museum had two letters of guarantee outstanding, totaling \$125 (\$125 in 2023).

(b) On June 29, 2011, the Museum and the Ontario Financing Authority ("OFA") executed an amended agreement that includes a revised payment schedule through March 31, 2027. Under the terms of the agreement, the loan consists of fixed rate and floating rate portions. In 2017, the Museum paid off the remainder of the fixed rate portion of the loan.

The outstanding loan bears interest at the Province of Ontario's one-year cost of funds plus 150-basis-points, reset annually. The floating rate for 2023-2024 was set at 5.96% (3.54% in 2022-2023) and the floating rate for 2024-2025 has been set as 6.3%. Under the terms of the facility, there is no minimum payment requirement providing the facility is fully paid by March 31, 2027.

The fair value of the floating rate portion is comparable to the carrying value as the rate fluctuates with current market rates.

The credit agreement includes covenants which must be met by the Museum and, if not met, the OFA has the right to demand repayment of the outstanding balance. Management believes the Museum is in substantial compliance with all covenants at March 31, 2024 and any non-compliance would not have a significant impact on the Museum.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

6. Credit facilities (continued)

(b) (continued)

As collateral for the credit facilities, the Foundation has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances.

Included in interest and other bank charges on the statement of operations is \$1,290 (\$826 in 2023) of interest in long-term debt.

7. Deferred contributions

Deferred contributions represent grants which carry restrictions and are deferred until spent on the intended purpose.

	2024	2023
	\$	\$
Balance, beginning of year	4,640	5,162
Recognized as revenue	(4,724)	(3,178)
Amounts received	4,708	2,656
Balance, end of year	4,624	4,640

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. As at March 31, 2024, unspent grants of \$6,164 (\$1,226 in 2023) are included in deferred capital contributions. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2024	2023
	\$	\$
Balance, beginning of year	179,494	183,134
Amortization of deferred capital contributions	(15,268)	(14,018)
Contributions received for capital asset purchases	15,187	10,378
Balance, end of year	179,413	179,494

9. Financial risks

(a) *Credit risk*

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Museum is exposed to credit risk with respect to accounts receivable. However, it does not expect counterparties to fail to meet their obligations given their high credit rating. There have been no significant changes to the credit risk exposure from 2023.

(b) *Liquidity risk*

Liquidity risk is the risk that the Museum will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Museum manages its liquidity risk by monitoring its operating requirements. The Museum prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The contractual maturities of long-term debt are disclosed in Note 6.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2024

(In thousands of dollars)

9. Financial risks (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Museum's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment. The overall impact is insignificant given the value of the investment.

(i) Currency risk

The Museum is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates with respect to contractual obligations payable in foreign currencies.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Museum to interest rate risk. The Museum is exposed to this risk through its floating rate interest-bearing long-term debt.

10. Commitments

The Museum's future commitments under long-term leases for equipment are as follows:

	\$
2025	61
2026	61
2027	61
2028	61
	<u>244</u>

11. Long-term liabilities

During 2021 and 2022, the Museum received funding from the Government of Canada for the Canada Emergency Wage Subsidy ("CEWS"). The Canada Revenue Agency, which administered CEWS, is considering the Museum's eligibility. Pending the outcome, the total funding received plus accrued interest of \$15,443 (\$14,739 in 2023) has been recorded as long-term liabilities.

Included in interest and other bank charges on the statement of operations is \$704 (\$603 in 2023) of interest on the CEWS claims payable.

12. Asset retirement obligation

Asbestos

The Museum has a few remaining areas in the Heritage Building containing asbestos that would require remediation if there were to be renovations in those areas. The *Canadian Environmental Protection Act (CEPA)* governs the protection of the environment and human health with respect to hazardous waste such as asbestos. There are regulations specifically regarding the handling of asbestos, such as the "Prohibition of Asbestos and Products Containing Asbestos Regulations" which are published under the authority of CEPA. In addition, the Canada Occupational Health and Safety Regulations (10.26.1 Schedule, Division II – Hazardous Substances Other than Hazardous Products) outlines requirements for asbestos exposure control plans, as well as requirements on disposal of asbestos and decontamination.

The asset retirement obligation liability is estimated to be \$31 (\$31 in 2023).