

THE ROBERT MCLAUGHLIN GALLERY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

THE ROBERT MCLAUGHLIN GALLERY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Robert McLaughlin Gallery

Qualified Opinion

We have audited the financial statements of The Robert McLaughlin Gallery (the "Gallery"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects, the financial position of the Gallery 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 (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Gallery derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Gallery. Therefore, we were unable to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and December 31, 2019, current assets and net assets as at December 31, 2020 and December 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. The predecessor 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 Gallery 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 qualified opinion.

Other Matter

The financial statements of the Gallery for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on June 18, 2020 for reasons described in the Basis for Qualified Opinion section.

INDEPENDENT AUDITOR'S REPORT (continued)

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 ASNPO, 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 Gallery'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 Gallery or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Gallery's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The predecessor 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 Gallery's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT
(continued)

- ◆ 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 Gallery'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 Gallery 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.

Hurren Sinclair MacIntyre LLP

Chartered Professional Accountants
Licensed Public Accountants

Ajax, Ontario
May 27, 2021

THE ROBERT MCLAUGHLIN GALLERY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current		
Cash	\$ 259,794	\$ 113,030
Accounts receivable (Note 14)	327,215	46,703
Portfolio investments (Note 2)	-	83,931
Harmonized sales tax rebate	82,421	80,849
Inventory (Note 3)	29,259	29,704
Prepaid expenses	2,730	9,984
	<u>701,419</u>	<u>364,201</u>
Long term		
Capital assets (Note 4)	21,052	25,262
Works of art, at nominal value (Note 5)	1	1
Portfolio investments, restricted (Note 2)	3,258,709	3,273,893
	<u>3,279,762</u>	<u>3,299,156</u>
	<u><u>\$ 3,981,181</u></u>	<u><u>\$ 3,663,357</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 93,733	\$ 74,591
Government remittances payable	11,994	14,864
Deferred contributions (Note 6)	529,888	380,465
	<u>635,615</u>	<u>469,920</u>
NET ASSETS		
Unrestricted	(95,329)	(131,668)
Internally restricted reserve (Note 13)	120,000	-
Permanently endowed	3,299,843	3,299,843
Invested in capital assets	21,052	25,262
	<u>3,345,566</u>	<u>3,193,437</u>
	<u><u>\$ 3,981,181</u></u>	<u><u>\$ 3,663,357</u></u>

Approved on behalf of the Board:

Director  _____

Director  _____

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

THE ROBERT MCLAUGHLIN GALLERY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
REVENUES		
Grant revenue (Note 9)	\$ 1,169,734	\$ 1,142,801
Federal government grants (Note 14)	312,295	-
Gifted works of art (Note 5)	149,032	85,500
Fundraising	75,581	90,420
Curatorial revenue	51,880	85,721
Other earned revenues	19,621	70,713
Learning and engagement revenue	16,761	96,060
Interest and other income	2,523	3,954
	<u>1,797,427</u>	<u>1,575,169</u>
EXPENSES		
Salaries and benefits	822,536	881,851
Facilities	301,151	295,552
Gifted works of art (Note 5)	149,032	85,500
Curatorial	95,351	170,265
Office and general	92,641	92,474
Marketing and communications	87,841	35,510
Learning and engagement	28,254	55,796
Insurance	23,501	19,977
Community engagement	22,479	20,707
Expenses for other earned revenues	10,786	21,759
Travel and professional development	7,921	8,687
Fundraising	6,612	27,515
Amortization	4,210	4,210
Scholarships and awards	500	100
Rental	1	1
Purchased works of art (Note 5)	-	25,985
	<u>1,652,816</u>	<u>1,745,889</u>
Excess (deficiency) of revenues over expenses from operations	144,611	(170,720)
Investment income and expendable capital (Note 10)	7,518	195,069
Excess of revenues over expenses	<u>\$ 152,129</u>	<u>\$ 24,349</u>

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

THE ROBERT MCLAUGHLIN GALLERY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Unrestricted	Permanently endowed	Invested in capital assets	Internally restricted reserve	2020	2019
Balance, beginning of year	\$ (131,668)	\$ 3,299,843	\$ 25,262	\$ -	\$ 3,193,437	\$ 3,169,088
Excess (deficiency) of revenues over expenses	156,339	-	(4,210)	-	152,129	24,349
Interfund transfer (Note 13)	(120,000)	-	-	120,000	-	-
Balance, end of year	<u>\$ (95,329)</u>	<u>\$ 3,299,843</u>	<u>\$ 21,052</u>	<u>\$ 120,000</u>	<u>\$ 3,345,566</u>	<u>\$ 3,193,437</u>

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

THE ROBERT MCLAUGHLIN GALLERY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Cash provided by (used in)		
Operating activities:		
Excess of revenues over expenses	\$ 152,129	\$ 24,349
Adjustments for non-cash items:		
Amortization	4,210	4,210
Realized loss (gain) on disposal of investments	167,446	(58,373)
Change in unrealized gain on investments	(18,088)	(184,973)
	<u>305,697</u>	<u>(214,787)</u>
Change in non-cash working capital items		
Accounts receivable	(280,512)	(2,880)
Harmonized sales tax rebate	(1,573)	(9,536)
Prepaid expenses	7,253	1,148
Inventory	445	1,845
Accounts payable and accrued liabilities	19,144	(1,364)
Government remittances payable	(2,870)	(738)
Deferred contributions	149,423	(43,828)
	<u>197,007</u>	<u>(270,140)</u>
Investing activities:		
Purchase of capital assets	-	(29,472)
Net (purchase) proceeds of investments	(50,243)	120,333
	<u>(50,243)</u>	<u>90,861</u>
Increase (decrease) in cash	146,764	(179,279)
Cash, beginning of year	<u>113,030</u>	<u>292,309</u>
Cash, end of year	<u>\$ 259,794</u>	<u>\$ 113,030</u>

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

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Nature of Operations

The Robert McLaughlin Gallery's (the "Gallery") mandate is to meet the growing and diverse needs of its community through the advancement and appreciation of the visual arts. This will be achieved through the collection, preservation, and conservation of fine art, particularly related to Canadian arts and culture, as well as the exhibition and interpretation of the collection through educational programming.

The Gallery's collection and resources are available for public research, and the Gallery strives to serve the educational, intellectual and aesthetic needs of the community both locally and nationally, while cooperating with galleries with similar goals.

In accordance with the provisions of the *Income Tax Act*, the Gallery is exempt from income taxes and is classified as a registered charitable organization.

The Gallery was incorporated by Letters Patent on July 17, 1967 as a corporation without share capital in the Province of Ontario.

1. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are detailed as follows:

(a) Revenue recognition

The Gallery follows the deferral method of accounting for contributions.

Revenue containing restrictions as to its use (restricted contributions) is deferred until the conditions are met.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues from education, restaurant and rental facilities are recognized as revenue when the events are held.

Investment income generated from restricted contributions is deferred when earned, and recognized as revenue in the year the conditions are met. Unrestricted investment income is recognized as revenue when earned.

Endowments are recognized as a direct increase to net assets, as the principal is required to remain intact. Investment income generated from endowments is deferred until it is used in accordance with the purposes established by the donor, at which point it is recognized as revenue.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Significant accounting policies (continued)

(a) Revenue recognition (continued)

Federal government grant amounts shall be recognized when there is reasonable assurance that:

- The Gallery has complied with the conditions attached to the federal grant measure(s) applied for; and
- The government assistance will be received.

(b) Cash

Cash includes funds held in the Gallery's general bank accounts and also includes cash on hand.

(c) Inventory

Inventory of the gift shop is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Inventory also includes works of art by I. McLaughlin that were contributed as an endowment and are held for sale and are recorded at cost less an allowance to reduce the cost to their estimated net realizable value.

(d) Capital assets

Capital assets recorded at cost less any specifically identified capital grants or donations received. Capital assets acquired prior to 2006 are fully amortized and are not included in the cost or accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture and equipment	Straight-line	5 years
Security equipment	Straight-line	7 years
Computer equipment	Straight-line	5 years

Capital assets are reviewed for impairment whenever events or conditions indicate that the assets no longer contribute to the Gallery's ability to provide services or that the service potential of the assets are less than their net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost.

Capital assets acquired but not placed into use are not amortized until they are placed into use.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Significant accounting policies (continued)

(e) Works of art

The value of works of art has been excluded from the balance sheet except for a nominal value of \$1. Gifted works of art are recorded as revenue at values based on appraisals by independent appraisers. Acquisition of art for collection, both gifted and purchased is expensed.

When works of art are sold, proceeds from the sale must be restricted to purchase works of art and therefore recorded as deferred contributions when received. Revenue is recognized when the expense related to the purchase of the new works of art is recorded.

(f) Contributed services

The operations of the Gallery depends on the contribution of a substantial amount of time by volunteers. The fair value of services cannot be reasonably determined and are therefore not reflected in these financial statements.

(g) Donated material and services

The Gallery does not record donated materials and services unless a charitable donation receipt has been issued for these materials and services thereby establishing their fair market value.

(h) Financial instruments

The Gallery initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Gallery subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net earnings.

Financial assets measured at amortized cost include cash, debentures, government bonds, notes of various Canadian public companies, Ontario Arts Council Foundation investment and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Gallery's financial assets measured at fair value include equity based investments.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in earnings.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Significant accounting policies (continued)

(h) Financial instruments (continued)

The Gallery recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(i) Use of estimates

The preparation of the financial statements in conformity with accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting year. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, inventory obsolescence, estimated useful life of capital assets, asset valuations, donated works of art, and deferred contributions. Actual results could differ from these estimates.

2. Portfolio investments

	2020	2019
Investments at cost		
Cash in investment account	\$ 40,262	\$ 10,512
Debentures, government bonds and notes of various Canadian public corporations (Market value 2020 - \$1,190,758, 2019 - \$1,306,347)	1,165,089	1,298,621
Ontario Arts Council Foundation (Market value 2020 - \$117,655, 2019 - \$111,355)	29,020	29,020
	1,234,371	1,338,153
Investment at market value		
Equity based investments (Cost 2020 - \$1,933,191, 2019 - \$1,985,031)	2,024,337	2,019,671
	3,258,708	3,357,824
Investments restricted for endowments	(3,258,708)	(3,273,893)
Unrestricted investments	\$ -	\$ 83,931

Debentures, government bonds, and notes are comprised of various bonds and guaranteed investment certificates with interest rates ranging from 0.75% to 8% that mature from March 2021 to February 2024.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. Inventory

	<u>2020</u>	<u>2019</u>
General		
Gift shop inventory	\$ 3,309	\$ 3,754
Endowed		
Works of art - I. McLaughlin	<u>25,950</u>	<u>25,950</u>
	<u>\$ 29,259</u>	<u>\$ 29,704</u>

4. Capital assets

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Furniture and equipment	\$ 31,449	\$ 31,449	\$ -	\$ -
Security equipment	29,472	8,420	21,052	25,262
Computer equipment	35,405	35,405	-	-
	<u>\$ 96,326</u>	<u>\$ 75,274</u>	<u>\$ 21,052</u>	<u>\$ 25,262</u>

The amortization expense for the year is \$4,210 (2019 - \$4,210).

5. Works of art

As at December 31, 2020, the collection consisted of approximately 4,758 (2019 - 4,716) works of art. During the year, the Gallery purchased 0 (2019 - 1) works of art at a cost of \$Nil (2019 - \$25,985). Contributions to the collection included 42 (2019 - 6) works of art with an estimated fair market value of \$149,032 (2019 - \$85,500).

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. Deferred contributions

Deferred contributions represent revenues and grants for operating funding received in the current period that are related to a subsequent period. Deferred endowment income and expendable capital include investment income earned on permanently endowed investments and expendable capital contributed that are to be used in accordance with the various purposes established by the donor. Changes in the deferred contributions balance are as follows:

	<u>2020</u>	<u>2019</u>
Operating grants		
Balance, beginning of year	\$ 143,570	\$ 309,646
Amounts received during the year	1,424,710	979,109
Amounts recognized as revenue in the year	<u>(1,177,263)</u>	<u>(1,145,185)</u>
	<u>391,017</u>	<u>143,570</u>
Endowment income and expendable capital		
Balance, beginning of year	236,895	114,647
Amounts received during the year	(90,506)	317,317
Amounts recognized as revenue in the year	<u>(7,518)</u>	<u>(195,069)</u>
	<u>138,871</u>	<u>236,895</u>
	<u>\$ 529,888</u>	<u>\$ 380,465</u>

7. Deferred endowment income and expendable capital

	<u>2020</u>	<u>2019</u>
Restricted for operating purposes	\$ 27,201	\$ 108,058
Restricted for works of art acquisitions and conservation	58,757	93,339
Restricted for scholarships	<u>181</u>	<u>854</u>
	86,139	202,251
Unrealized gain on marketable securities	<u>52,732</u>	<u>34,644</u>
	<u>\$ 138,871</u>	<u>\$ 236,895</u>

8. Operating line of credit

The Gallery has available a demand operating line of credit with an authorized limit of \$250,000 bearing interest at the bank's prime rate plus 1.00%. As at December 31, 2020, the Gallery had utilized \$Nil (2019 - \$Nil) of the operating line.

The demand operating line of credit is secured by a general security agreement consisting of a first ranking security interest in all personal property of the Gallery and a first ranking security interest in securities held in an investment account with the bank.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. Grant revenue

	2020	2019
City of Oshawa Operating Grant	\$ 829,599	\$ 813,332
Canada Council Operating Grant	100,000	100,000
Ontario Arts Council Operating Grant	84,919	87,078
Canada Council Project Grant (Digital Strategy)	44,656	-
RBC Foundation Support	29,167	49,000
Canada Summer Jobs Grant	25,949	21,280
Canada Council Emergency Support (re: COVID-19)	21,200	-
Young Canada Works Grant	17,386	31,611
Durham Community Foundation Grant	13,200	1,500
Summer Experience Program Grant	3,658	-
Canada Council York Wilson Endowment Grant	-	25,000
Ontario Arts Council Project Grant	-	14,000
	<u>\$ 1,169,734</u>	<u>\$ 1,142,801</u>

10. Investment income and expendable capital

	2020	2019
Interest and other investment income	\$ 84,949	\$ 104,298
Realized (loss) gain on disposal	(167,446)	58,373
Investment management fees	(26,097)	(30,327)
Change in unrealized gain	18,088	184,973
	<u>(90,506)</u>	<u>317,317</u>
Net change in endowment income and expendable capital	98,024	(122,248)
	<u>\$ 7,518</u>	<u>\$ 195,069</u>

11. Lease commitments

The land and the building occupied by the Gallery are owned by the Corporation of the City of Oshawa ("the City"). This property is leased by the Gallery for \$1 per annum under a long-term lease expiring in 2023. The City holds a lien on the Gallery's equipment and supplies located on the premises as security against any loss or damage arising under the lease. The fair value of the rent cannot be readily determined and is not recorded in these financial statements.

12. Economic dependence

The Gallery is substantially dependent on the ongoing financial support and continuation of the leased premises agreement with the City of Oshawa.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

13. Internally restricted reserve

The internally restricted reserve was established during the year. The fund's purpose is to enable the Gallery to respond to varying economic conditions and provide funding for extraordinary expenses and special projects. The Board approved a transfer of \$120,000 to the internally restricted reserve fund.

14. Federal government grants

The Gallery applied for and received subsidies for salary and wages from the Federal Government under the Canada Emergency Wage Subsidy (CEWS) program and the Temporary Wage Subsidy program in response to the COVID-19 pandemic. The amounts have been recognized as income pursuant to the accounting policy outlined in Note 1(a) and are reported as a separate revenue source on the statement of operations. Included in the federal government grant revenue is \$188,093 of CEWS that was receivable at the year end date.

15. Financial instruments

The Gallery is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Gallery's risk exposure and concentration as of December 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Gallery is exposed to credit risk related to its accounts receivable. Credit risk associated with accounts receivable is minimized by following a program of monitoring collections on accounts and by a careful evaluation of customers and credit limits allowed.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Gallery is exposed to liquidity risk related to its accounts payable and accrued liabilities. The Gallery meets its liquidity requirements by closely monitoring its cash flows using operating budgets and by planning for the utilization of investment income earned on endowment funds as permitted.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or facts affecting all instruments traded in the market. The Gallery has implemented an investment policy whereby future risk and volatility of investment returns are mitigated through the nature of the investments acquired.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

15. Financial instruments (continued)

(d) Currency risk

Currency risk is the risk to the Gallery's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Gallery is exposed to foreign currency exchange risk on cash and investments held in US dollars. The Gallery does not use derivative instruments to reduce its exposure to foreign currency risk. The average US exchange rate for 2020 was \$1.34 (2019 - \$1.33). The following are denominated in US dollars:

	<u>2020</u>	<u>2019</u>
Cash	\$ 12,262	\$ 811
Equity based investments	893,554	868,506
	<u>\$ 905,816</u>	<u>\$ 869,317</u>

(e) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The primary objective of the Gallery is the security of principal amounts invested and to provide a high degree of liquidity, while achieving a satisfactory investment return. The Gallery has established an investment policy to provide guidance in its investment approach in order to meet its objective.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Gallery is exposed to other price risk through its investment in equity based instruments.

Unless otherwise noted, it is management's opinion that the Gallery is not exposed to significant other price risks arising from these financial instruments.

THE ROBERT MCLAUGHLIN GALLERY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

16. Subsequent events

The Gallery closed to the public on December 21, 2020 due to measures enforced by the Government of Ontario and remains closed at the report date. This closure will have a significant impact on the revenue and expenses of the gallery for the foreseeable future. To mitigate the financial impact, management of the Gallery is keeping abreast of all available subsidies, applying for those subsidies that it is eligible for and reducing operating costs where possible. Management does not anticipate any reductions in grants however, management does expect the utilization of the grants will be decreased.

On April 7, 2021, the Province of Ontario declared a third state of emergency in an effort to manage the spread of the COVID-19 virus. The potential economic effects within the Gallery's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Gallery's operations.

17. Comparative figures

The comparative figures were audited by another firm of licensed public accountants.

Certain comparative figures have been reclassified from those previously presented to conform to the current presentation of the financial statements.