
Financial statements of The McCord Stewart Museum

March 31, 2020

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Independent Auditor's Report

To the Board of Trustees of
The McCord Stewart Museum

Opinion

We have audited the financial statements of The McCord Stewart Museum (the "Museum"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances 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, 2020, and the results of its 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 ("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 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 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 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*¹

June 15, 2020

¹ CPA auditor, CA, public accountancy permit No. A125888

The McCord Stewart Museum
Statement of operations and changes in fund balances
Year ended March 31, 2020

		2020				2019	
Notes	Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	\$	\$	
Revenue							
Government of Québec	3	4,028,995	15,977	119,466	—	4,164,438	4,117,367
Government of Canada	4	22,496	—	4,186	—	26,682	127,924
Other grants	5	69,635	—	—	—	69,635	49,096
Conseil des arts de Montréal		140,666	—	—	—	140,666	114,765
Ville de Montréal		44,250	—	—	—	44,250	57,524
Macdonald Stewart Foundation grants	16	1,300,000	—	—	—	1,300,000	1,300,000
The McCord Museum Foundation grants	16	2,259,662	102,363	3,388	—	2,365,413	2,455,843
Investment income		73,078	—	—	—	73,078	386,224
Visitor services		499,920	—	—	—	499,920	585,848
Admissions		783,867	—	—	—	783,867	1,071,251
Sponsorship		143,692	—	—	—	143,692	165,180
Rental income	6	270,581	—	—	—	270,581	253,203
Other		61,058	—	—	—	61,058	75,768
		9,697,900	118,340	127,040	—	9,943,280	10,759,993
Expenses							
Administration		1,672,129	3,925	—	—	1,676,054	1,682,912
Visitor services		727,739	—	—	—	727,739	762,269
Interest on long-term debt		1,875	16,718	31,979	—	50,572	48,412
Building and security		1,611,744	101,472	—	—	1,713,216	1,869,894
Collections	2	1,641,205	—	(1)	—	1,641,204	1,631,022
Education, community engagement and cultural programs		952,245	—	—	—	952,245	1,023,088
Exhibitions		1,641,008	—	—	—	1,641,008	1,965,364
Marketing and communications		1,425,162	—	—	—	1,425,162	1,515,686
Amortization of capital assets		—	—	220,052	—	220,052	222,369
		9,673,107	122,115	252,030	—	10,047,252	10,721,016
(Deficiency) excess of revenue over expenses before the following		24,793	(3,775)	(124,990)	—	(103,972)	38,977
Change in fair value of investments		(140,187)	—	—	—	(140,187)	18,986
(Deficiency) excess of revenue over expenses		(115,394)	(3,775)	(124,990)	—	(244,159)	57,963
Fund balances, beginning of year		219,769	(290,432)	3,243,021	1,750,013	4,922,371	5,364,408
Withdrawal	16	—	—	—	—	—	(500,000)
Interfund transfers	7	(69,232)	—	69,232	—	—	—
Interfund transfers	7	165,164	—	—	(165,164)	—	—
Fund balances, end of year		200,307	(294,207)	3,187,263	1,584,849	4,678,212	4,922,371

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

The McCord Stewart Museum
Statement of financial position

As at March 31, 2020

		2020				2019
Notes	Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
	Cash	703,390	—	—	703,390	1,242,475
	Accounts receivable	222,285	—	—	4,225	226,510
12	Grants receivable	60,995	17,578	749,619	—	828,192
	Due from The McCord Museum Foundation	53,814	—	—	—	53,814
16	Due from The McCord Museum Foundation	2,200,000	—	—	—	2,200,000
2	Due from other funds	308,615*	—	—	—	—
	Inventory	252,671	—	—	—	252,671
	Prepaid expenses	133,042	—	—	—	133,042
		3,934,812	17,578	749,619	4,225	4,397,619
						4,091,589
12	Grants receivable	—	315,852	—	—	315,852
8	Investments	—	—	—	1,711,495	1,711,495
16	Due from The McCord Museum Foundation	4,400,000	—	—	—	4,400,000
9	Capital assets	—	—	3,588,880	—	3,588,880
	Collections	—	—	1	—	1
		8,334,812	333,430	4,338,500	1,715,720	14,413,847
						17,405,709
Liabilities						
Current liabilities						
	Accounts payable and accrued liabilities	972,178	8	—	—	972,186
	Government remittances	23,547	—	—	—	23,547
2	Due to other funds	—	268,462*	—	40,153*	—
10	Deferred revenue	2,738,780	8,542	—	—	2,747,322
12	Current portion of long-term debt	—	34,773	749,619	—	784,392
		3,734,505	311,785	749,619	40,153	4,527,447
						4,195,698
16	Deferred revenue	4,400,000	—	—	—	4,400,000
12	Long-term debt	—	315,852	—	—	315,852
13	Deferred contributions	—	—	401,618	90,718	492,336
		8,134,505	627,637	1,151,237	130,871	9,735,635
						12,483,338
Fund balances						
	Invested in capital assets	—	—	3,187,263	—	3,187,263
14	Externally restricted	—	—	—	440,031	440,031
14	Internally restricted	—	(294,207)	—	1,144,818	850,611
	Unrestricted	200,307	—	—	—	200,307
		200,307	(294,207)	3,187,263	1,584,849	4,678,212
		8,334,812	333,430	4,338,500	1,715,720	14,413,847
						4,922,371
						17,405,709

* These amounts are not included in the total column because they offset each other.

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

On behalf of the Board of Trustees

David A. Baer

, Trustee

The McCord Stewart Museum

Statement of cash flows

Year ended March 31, 2020

	Notes	2020	2019
		\$	\$
Operating activities			
(Deficiency) excess of revenue over expenses		(244,159)	57,963
Adjustments for:			
Addition to collections at nominal value	2	(1)	—
Amortization of capital assets		220,052	222,369
Amortization of deferred contributions		(95,061)	(90,513)
Change in fair value of investments		140,187	(18,986)
		21,018	170,833
Changes in non-cash operating working capital items		(492,410)	507,927
		(471,392)	678,760
Investing activities			
Purchase of capital assets		(69,231)	(308,499)
Purchase of investments		(99,043)	(11,313,479)
Disposal of investments		121,537	12,026,428
		(46,737)	404,450
Financing activities			
Proceeds from grants receivable		120,098	182,935
Decrease in deferred contributions		—	(200,001)
Repayment of long-term debt		(141,054)	(173,184)
Withdrawal		—	(500,000)
		(20,956)	(690,250)
Net (decrease) increase in cash		(539,085)	392,960
Cash, beginning of year		1,242,475	849,515
Cash, end of year		703,390	1,242,475

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

The McCord Stewart Museum

Notes to the financial statements

March 31, 2020

1. Description of the business

The Museum was incorporated under the name McCord Museum on May 12, 1980, under Part III of the *Companies Act* (Québec) as a not-for-profit organization and is a registered charity under the *Income Tax Act*. On March 28, 1988, its name was changed to The McCord Museum of Canadian History (the "McCord Museum"). On December 31, 2017, the McCord Museum merged with The David M. Stewart Museum and with the Fashion Museum to become The McCord Stewart Museum (the "Museum") in order to create a unique museum in Montréal. As a registered charity, the Museum is exempt from income tax and may issue receipts for charitable donations.

The Museum is the museum of all Montrealers. It is a social history museum that celebrates life in Montréal, both past and present, its history, its people, and its communities. Open to the city and the world, the Museum presents exciting exhibitions, educational programming and cultural activities that offer a contemporary perspective on history, engaging visitors from Montréal, Canada and beyond. It is home to over 1.5 million artifacts, that make up one of the largest historical collections in North America, comprising dress, fashion, textiles, photography, indigenous cultures, paintings, prints and drawings, decorative arts and textual archives.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Fund accounting

The Museum follows the deferral method of accounting for contributions.

The Operating Fund accounts for the Museum's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Special Project Fund includes expenses related to a future expansion of the Museum.

The Capital Assets Fund accounts for the Museum's capital assets, either purchased or donated, and which are used for all of its operations.

The Endowment Fund records gifts received for endowment purposes and amounts designated by the Board of Trustees to be treated as endowments.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred or the related capital assets are amortized. Unexpended funds are recorded in the statement of financial position as deferred revenue or deferred contributions.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as direct increases in the Endowment Fund balance and withdrawals are recorded as direct decreases.

Investment income is recognized as revenue when earned. Investment income earned on the Museum's endowments is available for use in operations or other activities subject to approval by the Board of Trustees and is reported as income of the Operating Fund. Each year, the excess of actual endowment income over amounts approved for use in operations is reinvested, or transferred back to the Endowment Fund. Such amounts are classified as internally restricted in the Endowment Fund balance. In years where there is a deficiency, this amount may be transferred to the Operating Fund.

2. Accounting policies (continued)

Deferred contributions – Mécénat Placements Culture program

The recognition of the donations related to the Mécénat Placements Culture (MPC) program differs according to the management agreement signed between the recipient organization and the community foundation.

When the managing agreement includes the transfer of the ownership of the related donations to the community foundation, the amounts are not recorded within the recipient organization, and the investment income is recorded as deferred contributions.

When the managing agreement does not include the transfer of the ownership of the related donations to the community foundation, the donations are recorded as deferred contributions by the recipient organization. These grants will be recognized in revenue in the year the restriction on the funds expires, which in this case will be in 2029, on the 10th anniversary of the acceptance by the Conseil des arts et des lettres du Québec (CALQ). Investment income generated on the 10-year MPC funds is recognized when earned by the Museum.

Government grants

The Museum receives government grants, which are recorded as revenue in the period to which they relate.

Contributed services

The Museum rents the building at 690 Sherbrooke Street West from McGill University for a period of 99 years ending in the year 2086. The rent is \$1 per annum.

The Museum also rents premises at the Fort on St. Helen's Island in Montréal from Société du Parc Jean-Drapeau. The lease, which includes provision of utilities and maintenance services, has a term of 10 years ending December 31, 2020, at a rental cost of \$1 per annum.

Volunteers contribute numerous hours per year to the Museum to help it carry out its service delivery activities. Due to the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Other contributed services are also not recognized in the financial statements.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Museum becomes a party to the contractual provisions of the financial instrument except for related party transactions. Subsequently, all financial instruments are measured at amortized cost, except for investments, which are measured at fair value at the closing date. The fair value of investments is based on fair value confirmations received from the fund manager with whom those instruments are negotiated. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in the statement of operations and changes in fund balances.

Transaction costs related to investments are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations and changes in fund balances as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Museum recognizes in the statement of operations and changes in fund balances an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations and changes in fund balances in the period the reversal occurs.

2. Accounting policies (continued)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is reported in the Capital Assets Fund and is calculated on a straight-line basis over the useful lives of the assets as follows:

Building	25 years
Leasehold improvements	10 years
Furniture and fixtures	8 years
Computer equipment	5 years

As of April 1, 2019, the Museum has adopted the amendments to Section 4433, "Tangible Capital Assets Held by Not-for-Profit Organizations". In accordance with the transition, the cost of a tangible capital asset made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. Each component is then amortized individually based on its own useful life. Componentization is prospective to new acquisitions only and therefore existing assets have not been componentized at the date of transition. The adoption of these amendments had no impact on the disclosures or amounts recorded in the Museum's financial statements during the current period.

Collections

Part of the collections consists of items and artifacts relating to Canadian history. The majority of these items are held as part of a custodial agreement between McGill University and the Museum, whereby McGill University conferred upon the Museum the custody and care of its collection.

The collections also consist of artifacts and objects relating to Canadian history from the 17th century to the 19th century. The majority of these objects are held as part of a loan agreement between The Lake St. Louis Historical Society (the "Society") and the Museum, whereby the Society conferred upon the Museum the custody and care of its collection.

As of April 1, 2019, the Museum has adopted the amendments to Section 4441, "Collections Held by Not-for-Profit Organizations". In accordance with the transition, the assets of the collections are recognized in the Museum's statement of financial position at a nominal value of \$1 due to the difficulty in determining fair value. In the year 2020, this \$1 adjustment was recorded in the statement of operations and changes in fund balances with the collections line item.

Additions to the collections received from gifts in kind are not reflected in the financial statements. The estimated fair value of such items received during the year is \$1,463,204 (\$1,096,578 in 2019).

Cash contributions received for the purchase of items for the Museum's collections are deferred and recognized in revenue when the purchase is made. Actual purchases of collection items amount to \$456 (\$825 in 2019).

Direct costs incurred for the preservation, restoration and management of the collections are included in the collections expenses line in the statement of operations and changes in fund balances.

The McCord Stewart Museum
Notes to the financial statements

March 31, 2020

2. Accounting policies (continued)

Inventory

Inventory of goods held for resale is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

Due from (to) other funds

Due from (to) other funds comprises interfund advances, which are non-interest bearing and without specific terms of repayment.

Foreign currency translation

Monetary assets and liabilities of the Museum denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. Non-monetary assets and liabilities are translated at historical rates. Revenue and expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction dates. Translation gains and losses are presented in the statement of operations and changes in fund balances.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Revenue – Government of Québec

	2020	2019
	\$	\$
Ministère de la Culture et des Communications du Québec		
Soutien aux institutions muséales	3,983,111	3,947,320
Aide aux projets	—	5,501
Aide aux immobilisations	136,550	128,984
Bibliothèque et Archives nationales du Québec	39,937	35,562
Secrétariat à la politique linguistique	4,840	—
	4,164,438	4,117,367

The McCord Stewart Museum
Notes to the financial statements

March 31, 2020

4. Revenue – Government of Canada

	2020	2019
	\$	\$
Canadian Heritage		
Museums Assistance Program	—	20,000
Canada-France Agreement	6,309	—
World War Commemorations Community Fund	—	388
Canada Cultural Spaces Fund	4,186	4,186
Employment and Social Development Canada	12,760	—
Library and Archives Canada	—	71,983
Canada Council for the Arts	3,427	31,367
	26,682	127,924

5. Revenue – Other grants

	2020	2019
	\$	\$
Canadian Museum Association	23,861	43,090
Tourism Montréal	28,000	2,500
Nuit Blanche à Montréal	2,500	3,000
McGill University	274	506
Collaborator	15,000	—
	69,635	49,096

6. Rental income

	2020	2019
	\$	\$
Events	162,281	143,203
Travelling exhibitions	108,300	110,000
	270,581	253,203

7. Interfund transfers

The Operating Fund transferred \$69,232 (\$308,499 in 2019) to the Capital Assets Fund, representing the acquisition of capital assets for \$69,231 from operating resources, as well as the recording of the collections at a nominal value of \$1 in 2020.

The Endowment Fund transferred \$165,164 to the Operating Fund (\$4,342 in 2019), representing the difference in the current year's actual endowment investment income earned, including the realized change in fair value of investments and net investment expenses, relative to the amount approved for spending of \$87,680 (\$385,600 in 2019). Exceptionally, an amount of nil (\$271,420 in 2019) is included in the amount approved for spending, for the purpose of capital expenditure spending.

The McCord Stewart Museum
Notes to the financial statements

March 31, 2020

8. Investments

	2020		2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Canadian – Equity fund	560,446	574,065	584,459	570,791
Foreign – Equity fund	115,028	137,689	154,989	149,880
The Foundation of Greater Montreal – Balanced fund	1,036,021	1,062,443	1,134,728	1,079,232
	1,711,495	1,774,197	1,874,176	1,799,903

MPC program

In 2018, the Museum applied to the MPC program (which is under the authority of the Ministère de la Culture et des Communications du Québec ("MCCQ")) having raised \$200,000 in donations in the prior year. In 2019, these funds have been vested into an endowment fund with The Foundation of Greater Montreal and therefore the corresponding investments no longer show on the Museum's statement of financial position. In addition, in 2019, a donation of \$50,000 was also deemed eligible for a matching grant under the MPC program. As at March 31, 2020, the fair value of the account of \$250,000 is \$239,839 (\$266,437 as at March 31, 2019). The matching grant from MPC for the 2018 application has been confirmed by the MCCQ for a total of \$336,959 which has not yet been deposited into the account.

9. Capital assets

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	2,620,000	—	2,620,000	2,620,000
Building	411,488	159,622	251,866	268,327
Leasehold improvements	1,318,866	729,273	589,593	688,552
Furniture and fixtures	114,432	60,082	54,350	64,018
Computer equipment	289,454	216,383	73,071	98,804
	4,754,240	1,165,360	3,588,880	3,739,701

The McCord Stewart Museum
Notes to the financial statements

March 31, 2020

10. Deferred revenue

Deferred revenue represents revenue given for specific purposes. The deferred revenue is brought into income on the same basis as the related expenses are incurred or in the period to which the grant relates. The activity for the year in the deferred revenue balance is as follows:

	2020	2019
	\$	\$
Balance, beginning of year	2,752,851	173,960
Amount received	319,717	5,229,016
Amount recognized as revenue	(325,246)	(2,650,125)
Balance, end of year	2,747,322	2,752,851

11. Bank indebtedness

The Museum has an authorized unsecured line of credit of \$800,000 (\$800,000 as at March 31, 2019), bearing interest at the prime rate plus 1% (3.45% as at March 31, 2020; 4.95% as at March 31, 2019). As at March 31, 2020, the amount outstanding under this credit facility is nil (nil as at March 31, 2019). The Museum also has a credit facility of \$2,500,000 with CIBC, bearing interest at the prime rate plus 0.50% (2.95% as at March 31, 2020; 4.45% as at March 31, 2019). As at March 31, 2020, the amount outstanding is nil (nil as at March 31, 2019). The CIBC credit facility is secured by The McCord Museum Foundation's investments. The Museum also has a line of credit of up to \$1,500,000 guaranteed or provided by The McCord Museum Foundation, none of which is drawn at year-end (nil in 2019). In the event that the bank should withdraw the line of credit, The McCord Museum Foundation has agreed to guarantee or provide a line of credit of \$600,000 to the Museum.

12. Long-term debt

	2020	2019
	\$	\$
Bank loan, bearing interest at 4.05%, amortized over 5 years, matured on May 30, 2019 ⁽¹⁾	—	54,630
Bank loan, bearing interest at 4.05%, amortized over 15 years, maturing on December 10, 2020 ⁽¹⁾	749,618	802,765
Bank loan, bearing interest at 4.45%, amortized over 10 years, maturing on May 30, 2023 ⁽¹⁾	350,626	383,903
	1,100,244	1,241,298
Current portion	784,392	141,055
	315,852	1,100,243

⁽¹⁾ These loans are secured by a grant receivable of the same amount from the Government of Québec advanced on the same basis as the repayment of principal and interest, unless a timing difference occurs in the reception of the grant and the repayment of the long-term debt principal.

The McCord Stewart Museum
Notes to the financial statements

March 31, 2020

12. Long-term debt (continued)

Principal repayments required on long-term debt and the related grants receivable in the forthcoming years are as follows:

	Long-term debt repayments	Grants receivable
	\$	\$
2021	784,392	784,392
2022	36,339	36,339
2023	37,973	37,973
2024	241,540	241,540
	<u>1,100,244</u>	<u>1,100,244</u>

13. Deferred contributions

a) *Deferred contributions – Capital Assets Fund*

Deferred contributions in the Capital Assets Fund represent the unamortized portions of restricted contributions for the purchase of capital assets. The deferred contributions are brought into income on the same basis as the capital assets purchased are being amortized.

The activity for the year in the deferred contributions balance is as follows:

	2020	2019
	\$	\$
Opening balance	496,679	587,192
Amount amortized to revenue	(95,061)	(90,513)
Closing balance	401,618	496,679

b) *Deferred contributions – Endowment Fund*

In previous years, \$90,718 was raised by the Fashion Museum in donations for the MPC program.

The McCord Stewart Museum
Notes to the financial statements

March 31, 2020

14. Restrictions on Endowment Fund balances

Major categories of external and internal restrictions on fund balances of the Endowment Fund are as follows:

	<u>2020</u>	2019
	\$	\$
Externally restricted funds		
Endowments	<u>440,031</u>	440,031
Internally restricted funds		
Reinvested realized endowment income ⁽¹⁾	840,745	868,934
Cumulative unrealized variance on investments	(62,702)	74,273
Board designated endowment	350,000	350,000
Designated endowment ⁽²⁾	16,775	16,775
	<u>1,144,818</u>	<u>1,309,982</u>

⁽¹⁾ Investment income earned on the Museum's endowments is available for use in operations or other activities subject to approval by the Board of Trustees. Reinvested realized endowment income consists of the accumulated realized income generated from endowments less accumulated approved uses of those funds paid out.

⁽²⁾ The designated endowment consists of a donation, which management has formally established as an endowment for recurring use in the area of costumes and textiles.

15. Financial instruments

Market risk

Market risk represents the potential loss that can be caused by a change in the fair value of an investment. The Museum's investments are exposed to financial risks that arise from the fluctuations of interest rates, foreign exchange rates, equity values and the degree of volatility of these items in trading markets. The concentration of risk is minimized because of the Museum's diversification of its investment portfolio.

Credit risk

The Museum has determined that credit risk is minimal, given that the counterparties with which it conducts business are mainly government agencies.

Liquidity risk

The Museum's objective is to have sufficient liquidity to meet its liabilities when due. The Museum monitors its cash balances and cash flows generated from operations to meet its requirements. The most significant financial liabilities are accounts payable and accrued liabilities and long-term debt.

16. Related party transactions

The McCord Museum Foundation

The McCord Museum Foundation (the "Foundation") is a not-for-profit organization and a registered charity, which was incorporated in 1993. The objectives of the Foundation are to solicit, receive or otherwise collect funds through donations, legacies or other contributions for the purpose of funding or distributing funds to support the activities of the Museum.

During the year ended March 31, 2020, the Museum recognized in the normal course of business \$2,365,413 (\$2,455,843 in 2019) in grants from the Foundation.

In April 2018, the Museum received a total of \$11,000,000 from the MCCQ for its fiscal years 2019 to 2023, representing a \$2,200,000 grant per year in order to support its mission and action plan following the merger of McCord Museum, Stewart Museum and Fashion Museum.

The Museum and the Foundation, having obtained the approval of the MCCQ, signed an agreement under which the Foundation agreed to manage these funds. In July 2018, the Museum transferred an amount of \$10,450,000 to the Foundation, representing the remaining portion of the \$11,000,000 at the transfer date. Under the terms of the agreement, the Foundation has agreed to repay \$2,200,000 per year as well as to grant an additional amount of \$125,720 per year, for a total of \$2,325,720 per annum until 2023 payable in monthly instalments. As at March 31, 2020, the amount due from the Foundation is presented in the statement of financial position as \$2,200,000 (\$2,200,000 as at March 31, 2019) in current assets and \$4,400,000 (\$6,600,000 as at March 31, 2019) in long-term assets. The additional \$125,720 annual promise is considered a pledge from the Foundation to the Museum.

An amount of nil (\$500,000 in 2019) was also withdrawn from the Endowment Fund to be transferred to the Foundation.

These transactions have been recorded at the exchange amount agreed to by the parties.

Summary financial information of the Foundation as at March 31 is as follows:

	2020	2019
	\$	\$
Statement of financial position		
Assets	31,734,123	37,402,244
Liabilities	6,852,250	9,223,477
Net assets	24,881,873	28,178,767
	31,734,123	37,402,244
Statement of operations		
Total revenue	(30,916)	4,390,409
Total expenses	3,265,978	3,394,142
(Deficiency) excess of revenue over expenses	(3,296,894)	996,267

Macdonald Stewart Foundation

The statement of operations and changes in fund balances also includes an amount of \$1,300,000 (\$1,300,000 in 2019) from the Macdonald Stewart Foundation, which is not related to the Museum. The Macdonald Stewart Foundation committed to providing the Museum annual funding of \$1,300,000 through March 31, 2023.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.