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Financial statements of  
The McCord Museum Foundation

March 31, 2021

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Independent Auditor's Report .....	1-2
Statement of operations.....	3
Statement of changes in net assets .....	4
Statement of financial position .....	5
Statement of cash flows.....	6
Notes to the financial statements .....	7-10

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## Independent Auditor's Report

To the Board of Directors of  
The McCord Museum Foundation

### Qualified Opinion

We have audited the financial statements of The McCord Museum Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2021, 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 (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2021, 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 Qualified Opinion

Until March 31, 2020, in common with many not-for-profit organizations, for the Foundation revenue from fundraising, the completeness of such revenue was not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues in our 2020 audit was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to fundraising revenue, the deficiency of revenue over expenses, and cash flows from operations for the year ended March 31, 2020, current assets as at March 31, 2020, and net assets as at April 1, 2019 and March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2020, was modified because of the possible effects of this scope limitation. As a result, our opinion on the current year's financial statements is modified because of the possible effects of this matter on the comparability of the current year's figures and comparative information.

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

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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*

June 10, 2021

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A125888

**The McCord Museum Foundation**  
**Statement of operations**  
Year ended March 31, 2021

	Notes	2021	2020
		\$	\$
<b>Revenue</b>			
Fundraising			
Major gifts		<b>491,995</b>	377,560
Fundraising activities		—	1,268,205
Relaunch campaign – pandemic		<b>640,918</b>	—
Allocation of wage subsidy	8	<b>133,320</b>	—
In-kind contributions		<b>9,806</b>	—
Investment income (loss)	4	<b>6,602,411</b>	(1,676,681)
		<b>7,878,450</b>	(30,916)
<b>Expenses</b>			
Investment management fees		<b>121,897</b>	125,852
Administration		<b>330,466</b>	356,129
In-kind contributions		<b>9,806</b>	—
Fundraising			
Relaunch campaign – pandemic		<b>91,679</b>	—
Fundraising events		—	462,326
Capital campaign		—	4,837
Contributions to The McCord Stewart Museum	5 and 8	<b>1,311,020</b>	2,316,834
		<b>1,864,868</b>	3,265,978
<b>Excess (deficiency) of revenue over expenses</b>		<b>6,013,582</b>	(3,296,894)

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

**The McCord Museum Foundation**  
**Statement of changes in net assets**  
Year ended March 31, 2021

		<b>2021</b>			2020	
	Notes	<b>Internally restricted</b>	<b>Unrestricted</b>	<b>Endowments</b>	<b>Total</b>	Total
		\$	\$	\$	\$	\$
Balance, beginning of year		<b>409,295</b>	<b>12,920,510</b>	<b>11,552,068</b>	<b>24,881,873</b>	28,178,767
Excess (deficiency) of revenue over expenses		<b>—</b>	<b>6,013,582</b>	<b>—</b>	<b>6,013,582</b>	(3,296,894)
Transfers	6	<b>10,000</b>	<b>(10,000)</b>	<b>—</b>	<b>—</b>	—
Balance, end of year		<b>419,295</b>	<b>18,924,092</b>	<b>11,552,068</b>	<b>30,895,455</b>	24,881,873

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

**The McCord Museum Foundation**  
**Statement of financial position**  
As at March 31, 2021

	Notes	2021	2020
		\$	\$
<b>Assets</b>			
Current assets			
Cash		<b>953,166</b>	261,590
Accounts receivable		—	19,187
Sales taxes receivable		<b>24,719</b>	25,858
Prepaid expenses		—	46,296
Current portion of investments	3	<b>2,200,000</b>	2,200,000
		<b>3,177,885</b>	2,552,931
Investments	3	<b>32,294,865</b>	29,181,192
		<b>35,472,750</b>	31,734,123
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>11,577</b>	12,436
Due to The McCord Stewart Museum – operations		<b>20,718</b>	53,814
Deferred revenue		<b>145,000</b>	186,000
Current portion of the due to The McCord Stewart Museum – annuity	8	<b>2,200,000</b>	2,200,000
		<b>2,377,295</b>	2,452,250
Due to The McCord Stewart Museum – annuity	8	<b>2,200,000</b>	4,400,000
		<b>4,577,295</b>	6,852,250
Commitments	5		
<b>Net assets</b>			
Internally restricted		<b>419,295</b>	409,295
Unrestricted		<b>18,924,092</b>	12,920,510
Endowments		<b>11,552,068</b>	11,552,068
		<b>30,895,455</b>	24,881,873
		<b>35,472,750</b>	31,734,123

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

Approved by the Board

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

**The McCord Museum Foundation**  
**Statement of cash flows**  
Year ended March 31, 2021

	2021	2020
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	<b>6,013,582</b>	(3,296,894)
Adjustment for:		
Change in fair value of investments	<b>(6,018,209)</b>	2,750,385
	<b>(4,627)</b>	(546,509)
Changes in non-cash operating working capital items		
Accounts receivable	<b>19,187</b>	(2,711)
Sales taxes receivable	<b>1,139</b>	39,862
Prepaid expenses	<b>46,296</b>	172,877
Accounts payable and accrued liabilities	<b>(859)</b>	(27,540)
Due to The McCord Stewart Museum – operations	<b>(33,096)</b>	36,313
Deferred revenue	<b>(41,000)</b>	(180,000)
	<b>(12,960)</b>	(507,708)
<b>Investing activities</b>		
Purchase of investments	<b>(3,073,247)</b>	(2,086,311)
Disposal of investments	<b>5,977,783</b>	4,703,847
	<b>2,904,536</b>	2,617,536
<b>Financing activities</b>		
Due to The McCord Stewart Museum – annuity	<b>(2,200,000)</b>	(2,200,000)
Net increase (decrease) in cash	<b>691,576</b>	(90,172)
Cash, beginning of year	<b>261,590</b>	351,762
<b>Cash, end of year</b>	<b>953,166</b>	261,590

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



## **1. Status and nature of activities**

The McCord Museum Foundation (the "Foundation") is a not-for-profit organization. It was incorporated under the *Canada Not-for-profit Corporations Act* in 1993 and is a registered charity under the *Income Tax Act*. The objectives of the Foundation are to solicit, receive or otherwise collect funds through donations, legacies or other similar contributions either consisting of money, securities or other movable or immovable property for the purpose of funding or distributing funds to The McCord Stewart Museum.

## **2. Accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of accounting for contributions and include the following significant accounting policies:

### *Revenue recognition*

Revenue from unrestricted donations is recorded when received. Restricted donations and contributions are deferred and recorded as revenue when the related expense is incurred. Fundraising events revenue is recognized when the events are held. Amounts received in advance of events comprise the deferred revenue balance.

Investment income is recognized as revenue when earned.

### *In-kind contributions*

In-kind contributions in the form of materials and services are accounted for at the fair value of the materials and services received. These contributions are recognized when the fair value can be reasonably estimated, the materials and services are used in the normal course of operations and would have been purchased otherwise.

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument, except 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 investment income.

Transaction costs related to investments are expensed as incurred. Transaction costs related to financial instruments measured at amortized cost 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 as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in the statement of operations 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 in the period the reversal occurs.

**2. Accounting policies (continued)**

*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. Investments**

	<b>2021</b>		2020	
	<b>Fair value</b>	<b>Cost</b>	Fair value	Cost
	\$	\$	\$	\$
Total investments managed				
Cash	<b>117,781</b>	<b>117,781</b>	96,911	96,911
Money market fund	<b>634,607</b>	<b>634,733</b>	810,909	811,010
Fixed income fund	<b>5,666,229</b>	<b>5,585,600</b>	5,605,020	5,562,834
Canadian equity fund	<b>14,642,866</b>	<b>12,561,919</b>	10,943,106	12,214,931
Global equity fund	<b>9,033,382</b>	<b>6,831,621</b>	7,325,246	7,436,304
	<b>30,094,865</b>	<b>25,731,654</b>	24,781,192	26,121,990
Annuity	<b>4,400,000</b>	<b>4,400,000</b>	6,600,000	6,600,000
	<b>34,494,865</b>	<b>30,131,654</b>	31,381,192	32,721,990
Current portion	<b>2,200,000</b>	<b>2,200,000</b>	2,200,000	2,200,000
	<b>32,294,865</b>	<b>27,931,654</b>	29,181,192	30,521,990

**4. Investment income (loss)**

	<b>2021</b>	2020
	\$	\$
Income distribution	<b>584,202</b>	1,073,704
Realized gains	<b>524,714</b>	202,975
Unrealized change in fair value	<b>5,493,495</b>	(2,953,360)
	<b>6,602,411</b>	(1,676,681)

**5. Commitments**

In connection with the combination agreement signed on June 30, 2013, by The McCord Stewart Museum (the "Museum"), the Foundation has committed to fund the Museum an annual amount of at least 4.25% of its investments as well as transferring net proceeds of fundraising activities to the Museum. In view of the impact of the COVID-19 pandemic on both organizations, for the fiscal year 2021, the Museum and the Foundation agreed to defer the contribution of \$931,400, and that such amount will be added to the contribution to be made in fiscal year 2022.

**5. Commitments (continued)**

In the year 2017, the Museum and the Foundation signed a funding agreement whereby the Foundation guarantees or provides a line of credit of up to \$1,500,000 for the Museum as well as guarantees or provides a further \$600,000 related to a separate line of credit of the Museum.

The Museum also has a credit facility of \$2,500,000 with CIBC which is secured by the Foundation's investments.

**6. Net assets – transfers**

The Foundation has a practice of internally restricting planned giving donations to add to endowment capital.

During the year, the Foundation has received one donation of \$10,000 (\$91,810 in 2020), which has been transferred from the unrestricted net assets to the internally restricted net assets by the decision of the Board.

**7. 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 investments of the Foundation in pooled funds 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 mitigated because of the Foundation's diversification of its investment portfolio.

*Liquidity risk*

The Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Foundation 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 due to The McCord Stewart Museum.

**8. Related party transactions**

During the year, the Foundation made the following contributions to the Museum:

	<b>2021</b>	2020
	\$	\$
Restricted		
Collections	<b>7,095</b>	—
Education, community engagement and cultural programs	—	7,250
New museum project	—	102,364
	<b>7,095</b>	109,614
Non-restricted		
Net proceeds of fundraising activities	<b>549,080</b>	905,400
Income distribution from endowment	<b>754,845</b>	1,301,820
	<b>1,303,925</b>	2,207,220
	<b>1,311,020</b>	2,316,834

## **8. Related party transactions (continued)**

In the regular course of operations, certain expenses are incurred by the Museum on behalf of the Foundation and charged to the Foundation at cost. These expenses include salaries and, to the extent that such salaries generated a wage subsidy, the subsidy income was also allocated to the Foundation.

In April 2018, the Museum received a total of \$11,000,000 from the ministère de la Culture et des Communications du Québec (MCCQ) for its fiscal years from 2019 to 2023, representing a \$2,200,000 grant per year to support its mission.

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 by monthly instalments. As at March 31, 2021, the amount due to the Museum is presented in the statement of financial position as \$2,200,000 (\$2,200,000 as at March 31, 2020) in current liabilities and \$2,200,000 (\$4,400,000 as at March 31, 2020) in long-term liabilities. The additional \$125,720 annual promise is considered as Foundation's commitments.

To generate a return on investment and secure the payments to be made to the Museum, the Foundation invested, in October 2018, an amount of \$9,900,000 in an annuity, generating a monthly distribution approximately equal to the monthly distribution committed to the Museum for a period of 54 months until March 2023. The remaining amount of this annuity is included with the investments disclosed in Note 3.