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# Financial statements of The McCord Stewart Museum

March 31, 2018

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## Independent Auditor's Report

To the Board of Trustees of  
The McCord Stewart Museum

We have audited the accompanying financial statements of The McCord Stewart Museum, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McCord Stewart Museum as at March 31, 2018, 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.

*Deloitte LLP*

June 18, 2018

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

**The McCord Stewart Museum**  
**Statement of operations and changes in fund balances**  
Year ended March 31, 2018

		2018				2017	
Notes	Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	\$	\$	
<b>Revenue</b>							
Government of Québec	4	3,805,759	80,476	116,647	—	4,002,882	4,145,435
Government of Canada	5	71,402	—	12,776	—	84,178	294,034
Other grants	6	59,226	—	—	—	59,226	178,886
The Montreal Arts Council		110,000	—	—	—	110,000	100,000
Ville de Montréal		412,596	—	—	—	412,596	192,585
Macdonald Stewart Foundation grants	16	1,300,000	—	—	—	1,300,000	1,300,000
The McCord Museum Foundation grants	16	2,116,481	—	8,532	—	2,125,013	2,003,808
Investment income		285,689	—	—	—	285,689	131,313
Visitor services		590,203	—	—	—	590,203	470,265
Admissions		894,390	—	—	—	894,390	823,263
Fundraising		66,041	—	—	—	66,041	2,949
Sponsorship		241,949	—	—	—	241,949	207,836
Rental		145,127	—	—	—	145,127	191,120
Other		89,576	—	—	—	89,576	85,602
		10,188,439	80,476	137,955	—	10,406,870	10,127,096
<b>Expenses</b>							
Administration		1,691,683	78,492	—	—	1,770,175	1,799,077
Visitor services		722,725	—	—	—	722,725	525,596
Interest on long-term debt		9,611	—	36,075	—	45,686	61,935
Building and security		1,683,848	—	—	—	1,683,848	1,622,437
Collections		1,546,945	—	—	—	1,546,945	1,553,528
Education programs		906,912	360	—	—	907,272	919,715
Exhibitions		2,383,933	—	—	—	2,383,933	2,393,501
Marketing and communications		1,306,113	8,865	—	—	1,314,978	1,149,990
Amortization of capital assets		—	—	256,911	—	256,911	295,822
		10,251,770	87,717	292,986	—	10,632,473	10,321,601
Deficiency of revenue over expenses before the following		(63,331)	(7,241)	(155,031)	—	(225,603)	(194,505)
Change in fair value of investments		(174,813)	—	—	—	(174,813)	89,032
<b>Deficiency of revenue over expenses</b>		<b>(238,144)</b>	<b>(7,241)</b>	<b>(155,031)</b>	<b>—</b>	<b>(400,416)</b>	<b>(105,473)</b>
Fund balances, start of year		588,930	(231,250)	3,106,767	2,258,976	5,723,423	16,255,964
Withdrawals	16	—	—	—	—	—	(10,427,068)
Acquisition of Fashion Museum	2	41,401	—	—	—	41,401	—
Interfund transfers	7	4,621	—	—	(4,621)	—	—
Interfund transfers	7	(114,643)	—	114,643	—	—	—
<b>Fund balances, end of year</b>		<b>282,165</b>	<b>(238,491)</b>	<b>3,066,379</b>	<b>2,254,355</b>	<b>5,364,408</b>	<b>5,723,423</b>

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

**The McCord Stewart Museum**  
**Statement of financial position**  
As at March 31, 2018

		2018				2017
	Notes	Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total
		\$	\$	\$	\$	\$
<b>Assets</b>						
<b>Current assets</b>						
Cash		849,260	255	—	—	849,515
Accounts receivable		155,735	—	—	5,484	161,219
Grants receivable	12	138,623	400,000	51,060	—	589,683
Due from The McCord Museum Foundation		25,579	—	—	—	25,579
Due from other Funds	3	249,036*	—	—	—	—
Inventory		248,795	—	—	—	248,795
Prepaid expenses		83,305	—	—	—	83,305
		<b>1,750,333</b>	<b>400,255</b>	<b>51,060</b>	<b>5,484</b>	<b>1,958,096</b>
Grants receivable	12	54,630	—	802,764	—	857,394
Investments	8	308,978	—	—	2,259,161	2,568,139
Capital assets	9	—	—	3,653,571	—	3,653,571
		<b>2,113,941</b>	<b>400,255</b>	<b>4,507,395</b>	<b>2,264,645</b>	<b>9,037,200</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities		972,092	—	—	—	972,092
Government remittances		234,348	—	—	—	234,348
Due to other Funds	3	—	238,746*	—	10,290*	—
Deferred revenue	10	173,960	—	—	—	173,960
Current portion of long-term debt	12	106,028	400,000	51,060	—	557,088
		<b>1,486,428</b>	<b>638,746</b>	<b>51,060</b>	<b>10,290</b>	<b>1,937,488</b>
Long-term debt	12	54,630	—	802,764	—	857,394
Deferred contributions	13	290,718	—	587,192	—	877,910
		<b>1,831,776</b>	<b>638,746</b>	<b>1,441,016</b>	<b>10,290</b>	<b>3,672,792</b>
<b>Fund balances</b>						
Invested in capital assets		—	—	3,066,379	—	3,066,379
Externally restricted	14	—	—	—	940,031	940,031
Internally restricted	14	—	(238,491)	—	1,314,324	1,075,833
Unrestricted		282,165	—	—	—	282,165
		<b>282,165</b>	<b>(238,491)</b>	<b>3,066,379</b>	<b>2,254,355</b>	<b>5,364,408</b>
		<b>2,113,941</b>	<b>400,255</b>	<b>4,507,395</b>	<b>2,264,645</b>	<b>9,037,200</b>

\* 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

, Trustee  
 , Trustee

**The McCord Stewart Museum**  
**Statement of cash flows**  
Year ended March 31, 2018

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Deficiency of revenue over expenses	<b>(400,416)</b>	(105,473)
Adjustments for:		
Amortization of capital assets	<b>256,911</b>	295,822
Amortization of the collections	<b>—</b>	1
Amortization of deferred contributions	<b>(101,880)</b>	(110,424)
Change in fair value of investments	<b>174,813</b>	(89,032)
	<b>(70,572)</b>	(9,106)
Changes in non-cash operating working capital items	<b>(153,731)</b>	529,882
	<b>(224,303)</b>	520,776
<b>Investing activities</b>		
Purchase of capital assets	<b>(114,643)</b>	(88,222)
Purchase of investments	<b>(486,972)</b>	(106,810)
Disposal of Investments	<b>160,961</b>	223,768
	<b>(440,654)</b>	28,736
<b>Financing activities</b>		
Contributions received	<b>200,000</b>	—
Proceeds from grants receivable	<b>97,700</b>	34,604
Repayment of long-term debt	<b>(150,913)</b>	(360,520)
Proceeds from long-term debt	<b>50,000</b>	350,000
	<b>196,787</b>	24,084
Net (decrease) increase in cash	<b>(468,170)</b>	594,526
Cash, beginning of year	<b>1,317,685</b>	723,159
Cash, end of year	<b>849,515</b>	1,317,685

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

## **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 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 Montreal. 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 Montreal, 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 Montreal, 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. Merger**

### **a) The David M. Stewart Museum (the "Stewart Museum")**

On December 31, 2017, the Stewart Museum merged with the McCord Museum. The McCord Museum and the Stewart Museum have the same board of directors, and therefore the merger is considered a combination of entities under common control. As a result, the financial statements for the years ended March 31, 2018 and March 31, 2017, include figures of both the McCord Museum and Stewart Museum as though they had always been merged.

### **b) Fashion Museum**

On December 31, 2017, the Fashion Museum, previously an unrelated entity, merged with the McCord Museum and the Stewart Museum. The net assets of the Fashion Museum as at December 31, 2017, were recorded as a direct increase in the fund balance in the amount of \$41,401 in the Operating Fund. The statement of operations and changes in fund balances includes the operations of the Fashion Museum for the period from January 1, 2018, to March 31, 2018.

## **3. Significant 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.

### **3. Significant accounting policies (continued)**

#### *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 on 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.

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.

#### *Deferred contributions – Mécénat Placements Culture program*

Donations related to the Mécénat Placements Culture (MPC) program are recorded as deferred contributions. These grants will be recognized in revenue in the year the restriction on the funds expires, which is the 10<sup>th</sup> 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 unrestricted and, therefore 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 Montreal from the Société 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.



### **3. Significant accounting policies (continued)**

#### *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 instruments. 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 the 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 as 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.

#### *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

#### *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 17<sup>th</sup> century to the 19<sup>th</sup> 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.

Due to the difficulty in determining fair value, the assets of the collections are not recognized in the Museum's statement of financial position.

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 \$341,868 (\$291,329 in 2017).

### **3. Significant accounting policies (continued)**

#### *Collections (continued)*

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 collections items amounts to \$81 (\$165 in 2017).

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.

#### *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 comprise 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.

### **4. Revenue – Government of Québec**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Ministère de la Culture et des Communications du Québec		
Soutien aux institutions muséales	<b>3,697,100</b>	3,677,100
Aide aux immobilisations	<b>238,170</b>	406,944
Bibliothèque et Archives nationales du Québec	<b>32,539</b>	38,739
Secrétariat à la politique linguistique	<b>10,500</b>	—
Ministère du Travail, de l'Emploi et de la Solidarité sociale	<b>24,073</b>	2,680
Ministère des Finances	<b>500</b>	17,131
Ministère de l'Immigration, de la Diversité et de l'Inclusion	<b>—</b>	2,841
	<b>4,002,882</b>	<b>4,145,435</b>

**5. Revenue – Government of Canada**

	<b>2018</b>	2017
	\$	\$
Canadian Heritage		
Museum Assistance Program	<b>60,000</b>	150,000
World War Commemorations Community Fund	<b>581</b>	11,500
Canada Cultural Spaces Fund	<b>12,776</b>	21,881
Employment and social development Canada	<b>10,821</b>	—
Library and Archives Canada	—	102,943
Human Resources and Skills Development Canada	—	5,918
Veterans Affairs Canada	—	1,792
	<b>84,178</b>	294,034

**6. Revenue – Other grants**

	<b>2018</b>	2017
	\$	\$
Canadian Museum Association	<b>36,451</b>	23,256
Tourism Montreal	<b>19,000</b>	10,000
Nuit Blanche à Montréal	<b>2,500</b>	2,500
McGill University	<b>1,275</b>	—
The Museums of Quebec	—	143,130
	<b>59,226</b>	178,886

**7. Interfund transfers**

The Operating Fund transferred \$114,643 (\$67,292 in 2017) to the Capital Assets Fund, representing the acquisition of capital assets from operating resources.

The Endowment Fund transferred \$4,621 to the Operating Fund (\$105,454 transfer from Operating Fund to Endowment Fund in 2017) representing the difference in the current year's actual endowment investment income earned, including the change in fair value of investments and net investment expenses, relative to the amount approved for spending of \$110,910 (\$102,000 in 2017).

## 8. Investments

	2018		2017	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Canadian – Equity fund	696,814	697,232	728,522	728,687
Foundation of Greater Montreal – Balanced fund	1,871,325*	1,776,721	1,597,701	1,328,537
	<b>2,568,139</b>	<b>2,473,953</b>	<b>2,326,223</b>	<b>2,057,224</b>

\*An amount of \$308,978 is included in the Operating Fund as it consists of agreements with The Foundation of Greater Montreal under the MPC program, which is managed by the CALQ.

## 9. Capital assets

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	2,620,000	—	2,620,000	2,620,000
Building	411,488	126,700	284,788	346,189
Leasehold improvements	1,046,427	475,060	571,367	628,669
Furniture and fixtures	108,056	53,774	54,282	36,895
Computer equipment	382,164	259,030	123,134	164,086
	<b>4,568,135</b>	<b>914,564</b>	<b>3,653,571</b>	<b>3,795,839</b>

## 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. The activity for the year in the deferred revenue balance is as follows:

	2018	2017
	\$	\$
Opening balance	556,881	255,471
Amount received	1,188,032	509,223
Amount recognized as revenue	(1,570,953)	(207,813)
Closing balance	<b>173,960</b>	<b>556,881</b>

## 11. Bank indebtedness

The Museum has an authorized unsecured line of credit of \$800,000 (\$600,000 as at March 31, 2017), bearing interest at the prime rate plus 1.00% (4.45% as at March 31, 2018; 3.70% as at March 31, 2017). As at March 31, 2018, the amount outstanding under this credit facility is nil (nil as at March 31, 2017). The Museum also has a credit facility of \$2,500,000 with CIBC, bearing interest at the prime rate plus 0.50% (3.95% as at March 31, 2018; 3.20% as at March 31, 2017). As at March 31, 2018, the amount outstanding is nil (nil as at March 31, 2017). 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 provided by The McCord Museum Foundation, none of which is drawn at year-end (nil in 2017). In the event that the bank should withdraw the line of credit, The McCord Museum Foundation has agreed to provide a line of credit of \$600,000 to the Museum.

## 12. Long-term debt

	2018	2017
	\$	\$
Bank loan, bearing interest at 4.05%, amortized over five years, maturing in May 2019 <sup>(1)</sup>	160,658	262,519
Bank loan, bearing interest at 4.05%, amortized over 15 years, maturing on December 10, 2020 <sup>(1)</sup>	853,824	902,876
Demand loan, bearing interest at 4.45% converted to a bank loan in 2018, repayable upon demand <sup>(1)</sup>	400,000	350,000
	<b>1,414,482</b>	<b>1,515,395</b>
Current portion	<b>557,088</b>	<b>500,914</b>
	<b>857,394</b>	<b>1,014,481</b>

<sup>(1)</sup> These loans are secured by a grant receivable of the same amount from the Government of Quebec advanced on the same basis as the repayment of principal and interest.

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
	\$	\$
2019	557,088	557,088
2020	107,777	107,777
2021	749,617	749,617
	<b>1,414,482</b>	<b>1,414,482</b>

### **13. Deferred contributions**

#### *a) Deferred contributions – Operating Fund*

Deferred contributions in the Operating Fund consist of the money raised as part of the MPC program.

In 2018, the Museum raised \$200,000 in donations for the MPC program. Upon acceptance by the CALQ, the CALQ will provide the program with a matching grant of the final contribution made by the Museum up to a maximum of \$250,000.

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

In accordance with the terms of the MPC program, the Museum must keep these investments for a period of ten years from the date of acceptance by the CALQ.

#### *b) 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:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Opening balance	<b>689,072</b>	778,566
Capital funding contributions received	<b>—</b>	20,930
Amount amortized to revenue	<b>(101,880)</b>	(110,424)
Closing balance	<b>587,192</b>	689,072

### **14. Restrictions on Endowment Fund balances**

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Externally restricted funds		
Endowments	<b>940,031</b>	950,485
Internally restricted funds		
Reinvested realized endowment income <sup>(1)</sup>	<b>853,363</b>	672,717
Cumulative unrealized variance on investments	<b>94,186</b>	268,999
Board designated endowment	<b>350,000</b>	350,000
Designated endowment <sup>(2)</sup>	<b>16,775</b>	16,775
	<b>1,314,324</b>	1,308,491

<sup>(1)</sup> 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.

<sup>(2)</sup> 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**

### *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 flow generated from operations to meet its requirements. The most significant financial liabilities are accounts payable and accrued liabilities and long-term debt.

### *Credit risk*

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

### *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.

### *Interest rate risk*

A portion of the Museum's investments is invested in mutual funds, which hold bonds. Consequently, a change in market interest rates will have an impact on the fair-value of the units held by the Museum.

The long-term debt bears interest at fixed rates. The fixed rate long-term debt expose the Museum to fair value risk.

### *Currency risk*

A portion of the Museum's investments is invested in mutual funds, which hold investments in foreign currencies; it is therefore exposed to currency fluctuations.

### *Other price risk*

Other price risk associated with investments in shares is the risk that the fair value will fluctuate because of changes in market prices. This risk is reduced to a minimum, since the Museum mitigates the risk by regularly rebalancing its portfolio and investing in the Canadian financial sector.

## **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, 2018, the Museum recognized in the normal course of business \$2,125,013 (\$2,003,808 in 2017) in grants from the Foundation.

In the year 2017, the Museum transferred \$10,427,068 of investments in its endowment fund to the Foundation. The amount was recorded as a direct decrease in the endowment fund balance.

**16. Related party transactions (continued)**

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:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of financial position</b>		
Assets	<b>27,396,933</b>	27,759,205
Liabilities	<b>714,433</b>	451,076
Net assets	<b>26,682,500</b>	27,308,129
	<b>27,396,933</b>	27,759,205
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of operations</b>		
Total revenue	<b>2,372,338</b>	5,121,581
Total expenses	<b>2,997,967</b>	2,672,048
(Deficiency) excess of revenue over expenses	<b>(625,629)</b>	2,449,533

*Macdonald Stewart Foundation*

The statement of operations and changes in fund balances also includes an amount of \$1,300,000 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. Subsequent events**

In April 2018, the Museum received a total of \$11,000,000 from the Ministère de la Culture et des Communications du Québec for its fiscal years 2019 to 2023 in order to support its mission and action plan following the merger of the McCord Museum, Stewart Museum, and Fashion Museum.