
Financial statements of
The McCord Museum Foundation

March 31, 2016

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Independent Auditor's Report

To the Board of Directors of
The McCord Museum Foundation

We have audited the accompanying financial statements of The McCord Museum Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives part of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the books of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, (deficiency) excess of revenue over expenses and cash flows from operating activities for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at March 31, 2016 and 2015, and April 1, 2014. Our report on the prior year financial statements had the same qualification.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2016, 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 LLP¹

June 14, 2016

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

The McCord Museum Foundation

Statement of operations

Year ended March 31, 2016

	Notes	2016	2015
		\$	\$
Revenue			
Fundraising			
Annual campaign		241,037	238,498
Major gifts		349,377	396,297
Major gifts for acquisitions		55,261	2,775,252
Fundraising events		946,653	766,509
Investment income	4	(435,654)	1,625,956
		1,156,674	5,802,512
Expenses			
Investment management fees		63,164	56,970
Administration		323,579	269,656
Fundraising			
Annual campaign		19,564	20,988
Fundraising events		403,766	268,348
Donor recognition		11,902	14,271
Capital campaign		274	106,072
Contributions to The McCord Museum of Canadian History			
Annual grant	7	1,461,258	1,479,695
Major gifts for acquisitions	7	55,261	2,775,252
		2,338,768	4,991,252
(Deficiency) excess of revenue over expenses		(1,182,094)	811,260

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, 2016

		2016				2015
Notes		Internally restricted	Unrestricted	Endowments	Total	Total
		\$	\$	\$	\$	\$
Balance, beginning of year		25,000	14,963,622	625,000	15,613,622	14,177,362
(Deficiency) excess of revenue over expenses		—	(1,182,094)	—	(1,182,094)	811,260
Endowment contributions	7	—	—	—	—	625,000
Balance, end of year		25,000	13,781,528	625,000	14,431,528	15,613,622

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

The McCord Museum Foundation

Statement of financial position

As at March 31, 2016

	Notes	2016	2015
		\$	\$
Assets			
Current assets			
Cash		135,551	90,223
Accounts receivable		99,333	409
Sales taxes receivable		110,843	78,137
Prepaid expenses		27,923	71,350
		373,650	240,119
Investments	3	14,528,659	15,633,713
		14,902,309	15,873,832
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		29,983	28,766
Due to The McCord Museum of Canadian History		131,507	81,603
Deferred revenue		309,291	149,841
		470,781	260,210
Commitments	5		
Net assets			
Internally restricted		25,000	25,000
Unrestricted		13,781,528	14,963,622
Endowments		625,000	625,000
		14,431,528	15,613,622
		14,902,309	15,873,832

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, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(1,182,094)	811,260
Adjustments for		
Realized gains on disposal of investments	(144,063)	(596,640)
Unrealized change in fair value of investments	1,164,157	(564,130)
	(162,000)	(349,510)
Changes in non-cash operating working capital items		
Accounts receivable	(98,924)	966
Sales taxes receivable	(32,706)	(30,007)
Prepaid expenses	43,427	(28,743)
Accounts payable and accrued liabilities	1,217	(11,836)
Due to The McCord Museum of Canadian History	49,904	1,856
Deferred revenue	159,450	128,141
	(39,632)	(289,133)
Investing activities		
Purchase of investments	(2,754,053)	(2,580,186)
Disposal of investments	2,839,013	2,210,000
	84,960	(370,186)
Financing activities		
Direct increase in net assets	—	625,000
Net increase (decrease) in cash	45,328	(34,319)
Cash, beginning of year	90,223	124,542
Cash, end of year	135,551	90,223

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

The McCord Museum Foundation

Notes to the financial statements

March 31, 2016

1. Status and nature of activities

The McCord Museum Foundation (the "Foundation") is a not-for-profit organization, which was incorporated 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 moveable or immovable property for the purpose of funding or distributing funds to The McCord Museum of Canadian History.

2. Significant 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 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 are included in deferred revenue.

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. 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 confirmation 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.

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.

The McCord Museum Foundation

Notes to the financial statements

March 31, 2016

3. Investments

	2016		2015	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Money market fund	57,968	58,028	403,921	404,992
Fixed income fund	3,619,832	3,502,130	3,854,376	3,622,123
Canadian equity fund	6,999,244	7,752,467	7,130,471	7,023,502
Global equity fund	3,851,615	2,895,289	4,244,945	3,098,194
	14,528,659	14,207,914	15,633,713	14,148,811

4. Investment income

Investment income is composed of:

	2016	2015
	\$	\$
Income distribution	584,440	465,186
Realized gains	144,063	596,640
Unrealized change in fair value	(1,164,157)	564,130
	(435,654)	1,625,956

5. Commitments

In connection with the combination agreement signed on June 30, 2013 by the The McCord Museum of Canadian History and The David M. Stewart Museum, the Foundation has committed to funding The McCord Museum of Canadian History an annual amount of at least 4.25% of its endowed capital. The grant paid in 2016 in relation with this commitment was \$607,400 (\$587,400 in 2015).

6. 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 and foreign exchange rates and 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 Museum of Canadian History.

The McCord Museum Foundation

Notes to the financial statements

March 31, 2016

7. Related party transactions

During the year, the Foundation made the following contributions to The McCord Museum of Canadian History:

	2016	2015
	\$	\$
Restricted		
Collections	59,039	2,895,633
Exhibitions	5,000	75,000
Education and cultural activities	1,750	34,150
	65,789	3,004,783
Non-restricted		
Net proceeds of fundraising activities	843,330	662,764
Income distribution from endowment	607,400	587,400
	1,450,730	1,250,164
	1,516,519	4,254,947

An amount of nil (\$150,000 in 2015) received from The McCord Museum of Canadian History was included in the statement of changes in net assets as an endowment contribution.

8. Subsequent event

In April 2016, The McCord Museum of Canadian History (the "Museum") transferred approximately \$10 million of investments in its endowment fund to the Foundation.

In anticipation of the transfer, the Museum and the Foundation signed a funding agreement whereby the Foundation will guarantee or provide a line of credit of up to \$1.5 million for the Museum, as well as guarantee a further \$600,000 related to an existing line of credit of the Museum.