
Financial statements of
The McCord Stewart Museum

March 31, 2019

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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, 2019, 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, 2019, 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

June 17, 2019

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, 2019

		2019				2018		
		Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total		
Notes		\$	\$	\$	\$	\$		
Revenue								
	Government of Québec	4	3,993,827	8,900	114,640	—	4,117,367	4,002,882
	Government of Canada	5	123,738	—	4,186	—	127,924	84,178
	Other grants	6	49,096	—	—	—	49,096	59,226
	Arts Council of Montreal		114,765	—	—	—	114,765	110,000
	Ville de Montréal		57,524	—	—	—	57,524	412,596
	Macdonald Stewart Foundation grants	16	1,300,000	—	—	—	1,300,000	1,300,000
	The McCord Museum Foundation grants	16	2,302,453	147,636	5,754	—	2,455,843	2,125,013
	Investment income		386,224	—	—	—	386,224	285,689
	Visitor services		585,848	—	—	—	585,848	590,203
	Admissions		1,071,251	—	—	—	1,071,251	894,390
	Fundraising		5	—	—	—	5	66,041
	Sponsorship		165,180	—	—	—	165,180	241,949
	Rental		253,203	—	—	—	253,203	145,127
	Other		75,763	—	—	—	75,763	89,576
			10,478,877	156,536	124,580	—	10,759,993	10,406,870
Expenses								
	Administration		1,653,337	29,575	—	—	1,682,912	1,770,175
	Visitor services		762,269	—	—	—	762,269	722,725
	Interest on long-term debt		5,444	8,900	34,068	—	48,412	45,686
	Building and security		1,699,892	170,002	—	—	1,869,894	1,683,848
	Collections		1,631,022	—	—	—	1,631,022	1,546,945
	Education programs		1,023,088	—	—	—	1,023,088	907,272
	Exhibitions		1,965,364	—	—	—	1,965,364	2,383,933
	Marketing and communications		1,515,686	—	—	—	1,515,686	1,314,978
	Amortization of capital assets		—	—	222,369	—	222,369	256,911
			10,256,102	208,477	256,437	—	10,721,016	10,632,473
Excess (deficiency) of revenue over expenses before the following			222,775	(51,941)	(131,857)	—	38,977	(225,603)
Change in fair value of investments			18,986	—	—	—	18,986	(174,813)
Excess (deficiency) of revenue over expenses			241,761	(51,941)	(131,857)	—	57,963	(400,416)
Fund balances, beginning of year			282,165	(238,491)	3,066,379	2,254,355	5,364,408	5,723,423
	Withdrawal	16	—	—	—	(500,000)	(500,000)	—
	Acquisition of Fashion Museum	2	—	—	—	—	—	41,401
	Interfund transfers	7	4,342	—	—	(4,342)	—	—
	Interfund transfers	7	(308,499)	—	308,499	—	—	—
Fund balances, end of year			219,769	(290,432)	3,243,021	1,750,013	4,922,371	5,364,408

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

The McCord Stewart Museum
Statement of financial position
As at March 31, 2019

		2019				2018	
Notes	Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	\$	\$	
Assets							
Current assets							
	Cash	1,242,422	53	—	—	1,242,475	849,515
	Accounts receivable	126,155	—	—	5,483	131,638	161,219
	Grants receivable	93,930	16,821	53,148	—	163,899	589,683
	Due from The McCord Museum Foundation	17,501	—	—	—	17,501	25,579
	Due from The McCord Museum Foundation	2,200,000	—	—	—	2,200,000	—
	Due from other funds	304,417*	—	—	—	—	—
	Inventory	242,707	—	—	—	242,707	248,795
	Prepaid expenses	93,369	—	—	—	93,369	83,305
		4,320,501	16,874	53,148	5,483	4,091,589	1,958,096
	Grants receivable	—	350,626	749,617	—	1,100,243	857,394
	Investments	—	—	—	1,874,176	1,874,176	2,568,139
	Due from The McCord Museum Foundation	6,600,000	—	—	—	6,600,000	—
	Capital assets	—	—	3,739,701	—	3,739,701	3,653,571
		10,920,501	367,500	4,542,466	1,879,659	17,405,709	9,037,200
Liabilities							
Current liabilities							
	Accounts payable and accrued liabilities	1,080,672	—	—	—	1,080,672	972,092
	Government remittances	221,120	—	—	—	221,120	234,348
	Due to other funds	—	265,489*	—	38,928*	—	—
	Deferred revenue	2,744,310	8,541	—	—	2,752,851	173,960
	Current portion of long-term debt	54,630	33,277	53,148	—	141,055	557,088
		4,100,732	307,307	53,148	38,928	4,195,698	1,937,488
	Deferred revenue	6,600,000	—	—	—	6,600,000	—
	Long-term debt	—	350,625	749,618	—	1,100,243	857,394
	Deferred contributions	—	—	496,679	90,718	587,397	877,910
		10,700,732	657,932	1,299,445	129,646	12,483,338	3,672,792
Fund balances							
	Invested in capital assets	—	—	3,243,021	—	3,243,021	3,066,379
	Externally restricted	—	—	—	440,031	440,031	940,031
	Internally restricted	—	(290,432)	—	1,309,982	1,019,550	1,075,833
	Unrestricted	219,769	—	—	—	219,769	282,165
		219,769	(290,432)	3,243,021	1,750,013	4,922,371	5,364,408
		10,920,501	367,500	4,542,466	1,879,659	17,405,709	9,037,200

* 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, 2019

	2019	2018
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	57,963	(400,416)
Adjustments for:		
Amortization of capital assets	222,369	256,911
Amortization of deferred contributions	(90,512)	(101,880)
Change in fair value of investments	(18,986)	174,813
	170,834	(70,572)
Changes in non-cash operating working capital items	507,926	(153,731)
	678,760	(224,303)
Investing activities		
Purchase of capital assets	(308,499)	(114,643)
Purchase of investments	(11,313,479)	(486,972)
Disposal of investments	12,026,428	160,961
	404,450	(440,654)
Financing activities		
Contributions received	—	200,000
Proceeds from grants receivable	182,935	97,700
Decrease in deferred contributions	(200,001)	—
Repayment of long-term debt	(173,184)	(150,913)
Proceeds from long-term debt	—	50,000
Withdrawal	(500,000)	—
	(690,250)	196,787
Net increase (decrease) in cash	392,960	(468,170)
Cash, beginning of year	849,515	1,317,685
Cash, end of year	1,242,475	849,515

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 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. Merger

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

In 2018, the Stewart Museum merged with the McCord Museum. The McCord Museum and the Stewart Museum had the same Board of Directors, and therefore the merger was considered a combination of entities under common control. As a result, the financial statements include figures of both the McCord Museum and the Stewart Museum as though they had always been merged.

b) Fashion Museum

In 2018, 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 comparative numbers of the statement of operations and changes in fund balances include the operations of the Fashion Museum for the period from January 1, 2018 to March 31, 2018.

3. 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. 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 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.

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 are 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 is 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.

3. 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 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.

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 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.

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 \$1,096,578 (\$341,868 in 2018).

3. 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 collection items amount to \$825 (\$81 in 2018).

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 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.

4. Revenue – Government of Québec

	2019	2018
	\$	\$
Ministère de la Culture et des Communications du Québec		
Soutien aux institutions muséales	3,947,320	3,697,100
Aide aux projets	5,501	—
Aide aux immobilisations	128,984	238,170
Bibliothèque et Archives nationales du Québec	35,562	32,539
Secrétariat à la politique linguistique	—	10,500
Ministère du Travail, de l'Emploi et de la Solidarité sociale	—	24,073
Ministère des Finances	—	500
	4,117,367	4,002,882

5. Revenue – Government of Canada

	2019	2018
	\$	\$
Canadian Heritage		
Museums Assistance Program	20,000	60,000
World War Commemorations Community Fund	388	581
Canada Cultural Spaces Fund	4,186	12,776
Employment and Social Development Canada	—	10,821
Library and Archives Canada	71,983	—
Canada Council for the Arts	31,367	—
	127,924	84,178

6. Revenue – Other grants

	2019	2018
	\$	\$
Canadian Museum Association	43,090	36,451
Tourism Montréal	2,500	19,000
Nuit Blanche à Montréal	3,000	2,500
McGill University	506	1,275
	49,096	59,226

7. Interfund transfers

The Operating Fund transferred \$308,499 (\$114,643 in 2018) to the Capital Assets Fund, representing the acquisition of capital assets from operating resources.

The Endowment Fund transferred \$4,342 to the Operating Fund (\$4,621 in 2018), 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 \$385,600 (\$110,910 in 2018). Exceptionally in 2019, an amount of \$271,420 is included in the amount approved for spending, for the purpose of capital expenditure spending.

8. Investments

	2019		2018	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Canadian – Equity fund	584,459	570,791	696,814	697,232
Foreign – Equity fund	154,989	149,880	—	—
The Foundation of Greater Montreal – Balanced fund	1,134,728*	1,079,232	1,871,325*	1,776,721
	1,874,176	1,799,903	2,568,139	2,473,953

* 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, 2019, the fair value of the account of \$250,000 is \$266,437. 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.

In February 2019, \$500,000 were withdrawn. These funds were then transferred to The McCord Museum Foundation's investments.

9. Capital assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	2,620,000	—	2,620,000	2,620,000
Building	411,488	143,161	268,327	284,788
Leasehold improvements	1,285,938	597,386	688,552	571,367
Furniture and fixtures	119,575	55,557	64,018	54,282
Computer equipment	311,873	213,069	98,804	123,134
	4,748,874	1,009,173	3,739,701	3,653,571

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:

	2019	2018
	\$	\$
Balance, beginning of year	173,960	556,881
Amount received	5,229,016	1,188,032
Amount recognized as revenue	(2,650,125)	(1,570,953)
Balance, end of year	2,752,851	173,960

The above amounts exclude the deferred revenue of \$8,800,000 from the MCCQ for fiscal years 2020 to 2023, for which further explanations are provided in Note 16.

11. Bank indebtedness

The Museum has an authorized unsecured line of credit of \$800,000 (\$800,000 as at March 31, 2018), bearing interest at the prime rate plus 1% (4.95% as at March 31, 2019; 4.45% as at March 31, 2018). As at March 31, 2019, the amount outstanding under this credit facility is nil (nil as at March 31, 2018). The Museum also has a credit facility of \$2,500,000 with CIBC, bearing interest at the prime rate plus 0.50% (4.45% as at March 31, 2019; 3.95% as at March 31, 2018). As at March 31, 2019, the amount outstanding is nil (nil as at March 31, 2018). 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 2018). 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

	2019	2018
	\$	\$
Bank loan, bearing interest at 4.05%, amortized over five years, maturing on May 30, 2019 ⁽¹⁾	54,630	160,658
Bank loan, bearing interest at 4.05%, amortized over 15 years, maturing on December 10, 2020 ⁽¹⁾	802,765	853,824
Bank loan, bearing interest at 4.45%, amortized over 10 years, maturing on May 30, 2023 ⁽¹⁾	383,903	400,000
	1,241,298	1,414,482
Current portion	141,055	557,088
	1,100,243	857,394

⁽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.

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
	\$	\$
2020	141,055	124,600
2021	784,392	784,392
2022	36,339	36,339
2023	37,973	37,973
2024	241,539	241,539
	1,241,298	1,224,843

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:

	2019	2018
	\$	\$
Opening balance	587,192	689,072
Amount amortized to revenue	(90,513)	(101,880)
Closing balance	496,679	587,192

b) Deferred contributions – Endowment Fund

In previous years, \$90,718 were raised by the Fashion Museum in donations for the MPC program. In 2019, the deferred contributions associated with these contributions were transferred from the Operating Fund to the Endowment Fund.

14. Restrictions on Endowment Fund balances

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

	2019	2018
	\$	\$
Externally restricted funds		
Endowments	440,031	940,031
Internally restricted funds		
Reinvested realized endowment income ⁽¹⁾	868,934	853,363
Cumulative unrealized variance on investments	74,273	94,186
Board designated endowment	350,000	350,000
Designated endowment ⁽²⁾	16,775	16,775
	1,309,982	1,314,324

⁽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, 2019, the Museum recognized in the normal course of business \$2,455,843 (\$2,125,013 in 2018) 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, 2019, the amount due from the Foundation is presented in the statement of financial position as \$2,200,000 in current assets and \$6,600,000 in long-term assets. The additional \$125,720 annual promise is considered as a Foundation's commitment.

An amount of \$500,000 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:

	2019	2018
	\$	\$
Statement of financial position		
Assets	37,402,244	27,396,933
Liabilities	9,223,477	714,433
Net assets	28,178,767	26,682,500
	37,402,244	27,396,933
	2019	2018
	\$	\$
Statement of operations		
Total revenue	4,390,409	2,372,338
Total expenses	3,394,142	2,997,967
Excess (deficiency) of revenue over expenses	996,267	(625,629)

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.