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# Financial statements of The McCord Museum Foundation

March 31, 2017

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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, 2017, 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, excess (deficiency) of revenue over expenses and cash flows from operating activities for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016, and net assets as at March 31, 2017 and 2016, and April 1, 2015. 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, 2017, 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 12, 2017

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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, 2017

	Notes	<b>2017</b>	2016
		\$	\$
<b>Revenue</b>			
Fundraising			
Annual campaign		<b>261,097</b>	241,037
Major gifts		<b>475,250</b>	349,377
Major gifts for acquisitions		—	55,261
Fundraising events		<b>911,245</b>	946,653
Investment income	4	<b>3,473,989</b>	(435,654)
		<b>5,121,581</b>	1,156,674
<b>Expenses</b>			
Investment management fees		<b>106,571</b>	63,164
Administration		<b>306,545</b>	323,579
Fundraising			
Annual campaign		<b>26,172</b>	19,564
Fundraising events		<b>263,642</b>	403,766
Donor recognition		<b>14,386</b>	11,902
Capital campaign		<b>42,426</b>	274
Contributions to The McCord Museum of Canadian History			
Annual grant	7	<b>1,912,306</b>	1,461,258
Major gifts for acquisitions	7	—	55,261
		<b>2,672,048</b>	2,338,768
<b>Excess (deficiency) of revenue over expenses</b>		<b>2,449,533</b>	(1,182,094)

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, 2017

		<b>2017</b>			2016
	Notes	<b>Internally restricted</b>	<b>Unrestricted</b>	<b>Endowments</b>	<b>Total</b>
		\$	\$	\$	\$
Balance, beginning of year		<b>25,000</b>	<b>13,781,528</b>	<b>625,000</b>	<b>14,431,528</b>
Excess (deficiency) of revenue over expenses		<b>—</b>	<b>2,449,533</b>	<b>—</b>	<b>2,449,533</b>
Endowment contributions	7	<b>—</b>	<b>—</b>	<b>10,427,068</b>	<b>10,427,068</b>
Balance, end of year		<b>25,000</b>	<b>16,231,061</b>	<b>11,052,068</b>	<b>27,308,129</b>

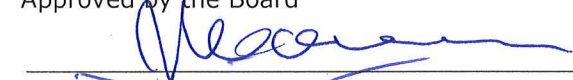
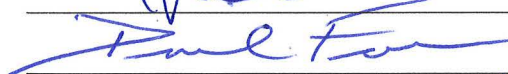
The accompanying notes are an integral part of the financial statements.

**The McCord Museum Foundation**  
**Statement of financial position**  
As at March 31, 2017

	Notes	<b>2017</b>	2016
		\$	\$
<b>Assets</b>			
Current assets			
Cash		<b>157,963</b>	135,551
Accounts receivable		<b>115,976</b>	99,333
Sales taxes receivable		<b>143,187</b>	110,843
Prepaid expenses		<b>194,589</b>	27,923
		<b>611,715</b>	373,650
Investments	3	<b>27,147,490</b>	14,528,659
		<b>27,759,205</b>	14,902,309
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>33,162</b>	29,983
Due to The McCord Museum of Canadian History		<b>38,034</b>	131,507
Deferred revenue		<b>379,880</b>	309,291
		<b>451,076</b>	470,781
Commitments	5		
<b>Net assets</b>			
Internally restricted		<b>25,000</b>	25,000
Unrestricted		<b>16,231,061</b>	13,781,528
Endowments		<b>11,052,068</b>	625,000
		<b>27,308,129</b>	14,431,528
		<b>27,759,205</b>	14,902,309

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, 2017

	<b>2017</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	<b>2,449,533</b>	(1,182,094)
Adjustment for		
Change in fair value of investments	<b>(2,636,873)</b>	1,020,094
	<b>(187,340)</b>	(162,000)
Changes in non-cash operating working capital items		
Accounts receivable	<b>(16,643)</b>	(98,924)
Sales taxes receivable	<b>(32,344)</b>	(32,706)
Prepaid expenses	<b>(166,666)</b>	43,427
Accounts payable and accrued liabilities	<b>3,179</b>	1,217
Due to The McCord Museum of Canadian History	<b>(93,473)</b>	49,904
Deferred revenue	<b>70,589</b>	159,450
	<b>(422,698)</b>	(39,632)
<b>Investing activities</b>		
Purchase of investments	<b>(1,798,001)</b>	(2,754,053)
Disposal of investments	<b>2,243,111</b>	2,839,013
	<b>445,110</b>	84,960
Net increase in cash	<b>22,412</b>	45,328
Cash, beginning of year	<b>135,551</b>	90,223
<b>Cash, end of year</b>	<b>157,963</b>	135,551

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 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 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 are included in deferred revenue.

Investment income is recognized as revenue when earned.

*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.

### 3. Investments

On April 14, 2016, The McCord Museum of Canadian History (the "Museum") transferred \$10,427,068 of investments in its endowment fund to the Foundation.

	2017		2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Total investments managed				
Cash	88,660	88,660	—	—
Money market fund	290,600	290,793	57,968	58,028
Fixed income fund	5,280,594	5,190,543	3,619,832	3,502,130
Canadian equity fund	12,976,027	11,730,347	6,999,244	7,752,467
Global equity fund	8,511,609	6,773,551	3,851,615	2,895,289
	<b>27,147,490</b>	<b>24,073,894</b>	14,528,659	14,207,914

### 4. Investment income

Investment income is composed of:

	2017	2016
	\$	\$
Income distribution	837,116	584,440
Change in fair value	2,636,873	(1,020,094)
	<b>3,473,989</b>	(435,654)

### 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 investments. The grant paid in 2017 in relation with this commitment was \$1,050,900 (\$607,400 in 2016). In addition, as at March 31, 2017, the Foundation has committed to an exceptional additional operating grant of \$150,000 for the 2017-18 year.

In connection with the transfer of investments from the Museum to the Foundation, the Museum and the Foundation signed a funding agreement whereby the Foundation guarantees or provides a line of credit of up to \$1.5 million for the Museum, as well as guarantees a further \$600,000 related to a separate line of credit of the Museum.

### 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, 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.

**6. Financial instruments (continued)**

*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.

**7. Related party transactions**

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

	<b>2017</b>	2016
	<b>\$</b>	\$
Restricted		
Collections	—	59,039
Exhibitions	—	5,000
Education and cultural activities	<b>1,750</b>	1,750
	<b>1,750</b>	65,789
Non-restricted		
Net proceeds of fundraising activities	<b>859,656</b>	843,330
Income distribution from endowment	<b>1,050,900</b>	607,400
	<b>1,910,556</b>	1,450,730
	<b>1,912,306</b>	1,516,519

An amount of \$10,427,068 (nil in 2016) received from The McCord Museum of Canadian History was included in the statement of changes in net assets as endowment contributions.