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# Financial statements of The McCord Stewart Museum

March 31, 2023

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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, 2023, 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, 2023, 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 19, 2023

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<sup>1</sup> CPA auditor, public accountancy permit No. A130874

**The McCord Stewart Museum**  
**Statement of operations and changes in fund balances**  
Year ended March 31, 2023

		2023					2022
Notes		Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total	Total
		\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
Government of Québec	3	4,211,473	12,021	97,821	—	4,321,315	4,582,276
Government of Canada	4	522,772	—	10,486	—	533,258	1,312,472
Other grants	5	164,641	—	—	—	164,641	47,776
Conseil des arts de Montréal		112,013	—	—	—	112,013	155,464
Ville de Montréal		111,998	—	—	—	111,998	70,866
Macdonald Stewart Foundation grants	15	692,000	—	—	—	692,000	692,000
The McCord Museum Foundation grants	15	3,084,031	—	2,600	—	3,086,631	2,538,914
Investment (loss) income		(152,074)	—	—	—	(152,074)	161,110
Visitor services		612,347	—	—	—	612,347	513,353
Admissions		714,485	—	—	—	714,485	586,303
Sponsorship		159,594	—	—	—	159,594	237,406
Rental income		31,370	—	—	—	31,370	10,742
Other		54,716	—	—	—	54,716	28,222
		10,319,366	12,021	110,907	—	10,442,294	10,936,904
<b>Expenses</b>							
Administration		2,048,968	7	—	—	2,048,975	1,902,296
Building and security		1,429,179	—	—	—	1,429,179	1,528,918
Collections	2	1,950,065	—	—	—	1,950,065	2,014,178
Education, community engagement and cultural programs		897,681	—	—	—	897,681	731,370
Exhibitions		1,434,526	—	—	—	1,434,526	1,650,756
Marketing and communications		1,368,434	—	—	—	1,368,434	1,170,212
Visitor services		735,146	—	—	—	735,146	775,871
Interest on long-term debt		—	12,021	18,933	—	30,954	34,449
Amortization of capital assets		—	—	412,934	—	412,934	394,687
		9,863,999	12,028	431,867	—	10,307,894	10,202,737
<b>Excess (deficiency) of revenue over expenses</b>		455,367	(7)	(320,960)	—	134,400	734,167
Fund balances, beginning of year	13	399,749	(295,993)	4,716,627	1,952,552	6,772,935	6,038,768
Withdrawal	7	—	—	—	(1,400,000)	(1,400,000)	—
Interfund transfers	6	(234,585)	—	234,585	—	—	—
Interfund transfers	6	552,552	—	—	(552,552)	—	—
<b>Fund balances, end of year</b>		1,173,083	(296,000)	4,630,252	—	5,507,335	6,772,935

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

**The McCord Stewart Museum**  
**Statement of financial position**  
As at March 31, 2023

		2023				2022	
Notes		Operating Fund	Special Project Fund	Capital Assets Fund	Total	Total	
		\$	\$	\$	\$	\$	
<b>Assets</b>							
Current assets							
		Cash	1,908,044	—	—	1,908,044	1,262,723
		Accounts receivable	354,746	—	—	354,746	252,325
	11	Grants receivable	88,290	241,540	63,898	393,728	180,736
		Due from The McCord Museum Foundation	9,308	—	—	9,308	107,254
	15	Due from The McCord Museum Foundation	—	—	—	—	2,200,000
	2	Due from other funds	—	—	591,289*	—	—
		Inventory	203,854	—	—	203,854	139,462
		Prepaid expenses	199,637	—	—	199,637	159,151
			2,763,879	241,540	655,187	3,069,317	4,301,651
	11	Grants receivable	—	—	506,200	506,200	811,638
	7	Investments	—	—	—	—	2,067,196
	8	Capital assets	—	—	4,207,880	4,207,880	4,386,229
		Collections	—	—	1	1	1
			2,763,879	241,540	5,369,268	7,783,398	11,566,715
<b>Liabilities</b>							
Current liabilities							
		Accounts payable and accrued liabilities	1,033,135	—	—	1,033,135	1,018,045
		Government remittances	35,698	—	—	35,698	21,581
	2	Due to other funds	295,289*	296,000*	—	—	—
	9	Deferred revenue	226,674	—	—	226,674	2,490,951
	11	Current portion of long-term debt	—	241,540	63,898	305,438	99,955
			1,590,796	537,540	63,898	1,600,945	3,630,532
	11	Long-term debt	—	—	506,200	506,200	811,638
	12	Deferred contributions	—	—	168,918	168,918	351,610
			1,590,796	537,540	739,016	2,276,063	4,793,780
<b>Fund balances</b>							
		Invested in capital assets	—	—	4,076,252	4,076,252	4,162,627
	13	Internally restricted	366,775	(296,000)	554,000	624,775	2,210,559
		Unrestricted	806,308	—	—	806,308	399,749
			1,173,083	(296,000)	4,630,252	5,507,335	6,772,935
			2,763,879	241,540	5,369,268	7,783,398	11,566,715

\* 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

Jacob Lithgow  
Jacob Lithgow (Aug 4, 2023 02:03 GMT+2), Trustee

Daniel Baer  
Daniel Baer, FCPA (Jul 12, 2023 23:03 EDT), Trustee

**The McCord Stewart Museum**  
**Statement of cash flows**  
Year ended March 31, 2023

	Notes	2023	2022
		\$	\$
<b>Operating activities</b>			
Excess of revenue over expenses		<b>134,400</b>	734,167
Adjustments for			
Amortization of capital assets		<b>412,934</b>	394,687
Amortization of deferred contributions		<b>(182,692)</b>	(94,486)
Change in fair value of investments		<b>—</b>	49,929
		<b>364,642</b>	1,084,297
Changes in non-cash operating working capital items		<b>(144,423)</b>	(1,735,737)
		<b>220,219</b>	(651,440)
<b>Investing activities</b>			
Purchase of capital assets		<b>(234,585)</b>	(939,881)
Purchase of investments		<b>(2,366,053)</b>	(414,830)
Disposal of investments		<b>4,433,249</b>	318,228
		<b>1,832,611</b>	(1,036,483)
<b>Financing activities</b>			
Proceeds from grants receivable		<b>92,446</b>	104,076
Repayment of long-term debt		<b>(99,955)</b>	(98,556)
Withdrawal	7, 15	<b>(1,400,000)</b>	—
		<b>(1,407,509)</b>	5,520
Net increase (decrease) in cash		<b>645,321</b>	(1,682,403)
Cash, beginning of year		<b>1,262,723</b>	2,945,126
<b>Cash, end of year</b>		<b>1,908,044</b>	1,262,723

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

## **1. Description of the business**

The McCord Stewart Museum (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 ("Stewart Museum") and with the Fashion Museum to become The McCord Stewart Museum. On February 10, 2021, the Museum announced its intention to accelerate the physical integration of the two museums at the Sherbrooke Street location. The Stewart Museum site was closed permanently in the 2022 fiscal year and its collection will continue to be preserved and disseminated through the Museum's other venues. 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. 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. As at March 31, 2023, the Endowment Fund has effectively been discontinued.

### *Amendments to accounting policy – Section 3400, Revenue*

Effective April 1, 2022, the Museum has adopted the amendments to Handbook Section 3400, *Revenue* ("Section 3400"), which provided additional guidance relating to the accounting for multiple elements of a contract, percentage of completion, determination of principal or agent, and bill and hold transactions.

The application of this amendment does not have an impact on the Museum's financial statements.

### *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.



## **2. Accounting policies (continued)**

### *Revenue recognition (continued)*

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 investments 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 investment 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.

### *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.

Until December 3, 2021, the Museum also rented premises at the Fort on St. Helen's Island in Montréal from Société du Parc Jean-Drapeau at a 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.

Other contributed services are also not recognized in the financial statements.

### *Financial instruments*

#### *Initial measurement*

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Museum becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Museum is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Museum in the transaction.

#### *Subsequent measurement*

All financial instruments are subsequently measured at amortized cost except for investments, which are measured at fair value at the closing date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

## **2. Accounting policies (continued)**

### *Financial instruments (continued)*

#### *Transaction costs*

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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized as interest income or expense.

#### *Impairment*

With respect to financial assets measured at cost or amortized cost, the Museum recognizes an impairment loss, if any, when there are indicators of impairment and 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 is reversed 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 life 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.

The assets of the collections are recognized in the Museum's statement of financial position at a nominal value of \$1 due to the difficulty in determining fair value.

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 \$1,100 (\$500 in 2022).

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 nil (nil in 2022).

## 2. Accounting policies (continued)

### *Collections (continued)*

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.

## 3. Revenue – Government of Québec

	2023	2022
	\$	\$
Ministère de la Culture et des Communications du Québec		
Soutien aux institutions muséales	<b>4,140,140</b>	3,974,100
Aide aux projets	<b>13,449</b>	337,803
Aide aux immobilisations	<b>109,841</b>	224,134
Bibliothèque et Archives nationales du Québec	<b>57,885</b>	41,742
Secrétariat à la jeunesse	—	3,571
Ministère du Travail, de l'Emploi et de la Solidarité sociale	—	926
	<b>4,321,315</b>	4,582,276

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

	<b>2023</b>	2022
	\$	\$
Canada Emergency Wage Subsidy	—	620,192
Tourism and Hospitality Recovery Program	<b>331,812</b>	586,078
Canadian Heritage Museum Assistance Program	<b>148,990</b>	50,359
Canada Cultural Spaces Fund	<b>10,486</b>	10,486
Employment and Social Development Canada	<b>18,392</b>	9,453
Library and Archives Canada	—	35,904
Canada Council for the Arts	<b>23,578</b>	—
	<b>533,258</b>	1,312,472

#### **5. Revenue – Other grants**

	<b>2023</b>	2022
	\$	\$
Destination Centre-Ville	<b>4,000</b>	20,000
Canadian Museum Association	<b>12,174</b>	5,117
Tourisme Montréal	<b>5,220</b>	20,000
Tourisme Québec	<b>32,783</b>	—
Mécénat Placements Culture program	<b>90,718</b>	—
Nuit Blanche à Montréal	<b>2,500</b>	2,500
Énergir, s.e.c.	<b>17,246</b>	—
Société des musées du Québec	—	159
	<b>164,641</b>	47,776

#### **6. Interfund transfers**

The Operating Fund transferred \$234,585 (\$543,881 in 2022) to the Capital Assets Fund, representing the acquisition of capital assets from operating resources net of a drawdown on internally restricted Capital Assets Fund balance of nil (\$396,000 in 2022). The Operating Fund transferred nil to the Capital Assets Fund (\$300,000 in 2022), representing a Board designated reserve for capital repairs and information technology upgrades.

In 2022, the Operating Fund transferred \$43,150 to the Endowment Fund representing the excess of actual net investment income earned over the amount approved for spending.

In 2023, the Endowment Fund transferred \$184,483 to the Operating Fund representing the shortfall of actual net investment income over the amount approved for spending. In addition, a further \$368,069 was transferred from the Endowment Fund to the Operating Fund to transfer the remainder of internally restricted funds following the liquidation of the Museum's investment activities (see note 7).

## 7. Investments

	<b>2023</b>		<b>2022</b>	
	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Canadian – Equity fund	—	—	614,098	579,452
Foreign – Equity fund	—	—	157,454	141,815
The Foundation of Greater Montréal – Balanced fund	—	—	1,295,644	1,226,244
	<b>—</b>	<b>—</b>	<b>2,067,196</b>	<b>1,947,511</b>

### *Investment withdrawals*

Having completed the holding restriction period for investments held at The Foundation of Greater Montréal (FGM), the Museum decided to liquidate its holding at FGM, as well as its other investments during the year. Of the amounts realized, \$1,400,000 was transferred to The McCord Museum Foundation's investment portfolio, and recorded as a direct decrease in the Museum's fund balances for the withdrawal.

## 8. Capital assets

	<b>2023</b>			<b>2022</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<b>Net book value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land	<b>2,620,000</b>	—	<b>2,620,000</b>	2,620,000
Building	<b>698,728</b>	<b>231,536</b>	<b>467,192</b>	425,722
Leasehold improvements	<b>1,670,748</b>	<b>1,189,196</b>	<b>481,552</b>	614,216
Furniture and fixtures	<b>243,553</b>	<b>101,899</b>	<b>141,654</b>	128,735
Computer equipment	<b>845,175</b>	<b>347,693</b>	<b>497,482</b>	597,556
	<b>6,078,204</b>	<b>1,870,324</b>	<b>4,207,880</b>	4,386,229

## 9. 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 or in the period to which the grant relates. The activity for the year in the current deferred revenue balance is as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>2,490,951</b>	3,998,948
Amount received	<b>423,875</b>	262,514
Amount transferred from long-term	—	2,200,000
Amount recognized as revenue	<b>(2,688,152)</b>	(3,970,511)
Balance, end of year	<b>226,674</b>	2,490,951

## 10. Bank indebtedness

The Museum has an authorized unsecured line of credit of \$800,000 (\$800,000 as at March 31, 2022), bearing interest at the prime rate plus 1.00% (7.70% as at March 31, 2023; 3.70% as at March 31, 2022). The Museum also has a line of credit of up to \$1,500,000 guaranteed or provided by The McCord Museum Foundation. None of the lines of credit is drawn at year-end (nil as at March 31, 2022). 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.

## 11. Long-term debt

	<b>2023</b>	2022
	<b>\$</b>	\$
Bank loan, bearing interest at 3.07%, amortized over 15 years, maturing on January 31, 2026 <sup>(1)</sup>	<b>570,098</b>	632,079
Bank loan, bearing interest at 4.45%, amortized over 10 years, maturing on May 30, 2023 <sup>(1)</sup>	<b>241,540</b>	279,514
	<b>811,638</b>	911,593
Current portion	<b>305,438</b>	99,955
	<b>506,200</b>	811,638

<sup>(1)</sup> 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.

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
	\$	\$
2024	305,438	305,438
2025	65,874	65,874
2026	440,326	440,326
	<b>811,638</b>	<b>811,638</b>

## 12. 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:

	<b>2023</b>	2022
	<b>\$</b>	\$
Opening balance	<b>260,892</b>	355,378
Amount amortized to revenue	<b>(91,974)</b>	(94,486)
Closing balance	<b>168,918</b>	260,892

### (b) *Deferred contributions – Other*

The conditions related to a deferred contribution of \$90,718 were met during the year and the amount recognized in operating revenues.

## 13. Internally restricted fund balances

	<b>2023</b>	2022
	<b>\$</b>	\$
Internally restricted funds		
Cumulative investment income <sup>(1)</sup>	<b>—</b>	1,585,777
Board designated fund <sup>(2)</sup>	<b>366,775</b>	366,775
Special project fund <sup>(3)</sup>	<b>(296,000)</b>	(295,993)
Capital assets fund <sup>(4)</sup>	<b>554,000</b>	554,000
	<b>624,775</b>	2,210,559

<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. Following the liquidation of investments and transfer of assets to the McCord Museum Foundation (see note 7), there are no further amounts in this category.

<sup>(2)</sup> The board designated fund is primarily for the purpose of future collection acquisitions.

<sup>(3)</sup> The balance comprises the cumulative excess of expenses over sources of funds related to the Museum expansion project.

<sup>(4)</sup> The fund is a Board designated reserve for capital repairs and information technology upgrades.

## **14. Financial instruments**

### *Credit risk*

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

### *Interest rate risk*

The Museum has long-term debts bearing interest at fixed rate. The fixed rate long-term debts expose the Museum to fair value risk. The Museum will be exposed to cash flow risk if interest rates change at the time of renewal of these loans.

### *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.

## **15. Related party transactions and support from other foundations**

### *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 similar contributions for the purpose of funding or distributing funds to support the activities of the Museum.

During the year ended March 31, 2023, the Museum recognized in the normal course of business \$3,086,631 (\$2,538,914 in 2022) in grants from the Foundation.

In 2013, the Museum commenced receiving \$2,200,000 annually from the ministère de la Culture et des Communications du Québec ("MCCQ") following the merger of the McCord Museum and the Stewart Museum. 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 as continued support of the Museum's mission and action plan following the merger with the Fashion Museum. The last portion of the grant was received during the year ended March 31, 2023.

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, 2023, the amount due from the Foundation is presented in the statement of financial position as \$nil (\$2,200,000 as at March 31, 2022) in current assets.

In 2023, an amount of \$1,400,000 was also withdrawn from the Endowment Fund and transferred to the Foundation.

These transactions have been recorded at the exchange amount agreed to by the parties.



## 15. Related party transactions and support from other foundations (continued)

*The McCord Museum Foundation (continued)*

Summary financial information of the Foundation as at March 31 is as follows:

	2023	2022
	\$	\$
Statement of financial position		
Assets	<b>31,560,418</b>	34,784,866
Liabilities	<b>305,969</b>	2,328,357
Net assets	<b>31,254,449</b>	32,456,509
	<b>31,560,418</b>	34,784,866
Statement of operations		
Revenue – Fundraising and other	<b>1,265,663</b>	2,013,176
Revenue – Investment (loss) income	<b>(266,805)</b>	2,659,652
Expenses – contributions to the Museum	<b>3,007,091</b>	2,599,767
Expenses – other	<b>593,827</b>	512,007
(Deficiency) excess of revenue over expenses	<b>(2,602,060)</b>	1,561,054

### *Macdonald Stewart Foundation*

The statement of operations and changes in fund balances also includes an amount of \$692,000 (\$692,000 in 2022) from the Macdonald Stewart Foundation, which is not related to the Museum. In March 2021, the Macdonald Stewart Foundation, in agreement with the Museum, amended their financial support agreement whereby the Macdonald Stewart Foundation will provide annual funding of \$692,000 through December 31, 2025, and subsequently \$325,000 through December 31, 2030.

### *Mécénat Placements Culture (MPC) program*

The Museum has participated in the MPC program (which is under the authority of the MCCQ). Under the terms of some of the MPC programs, specified donations raised by the Museum are transferred into an investment fund with The Foundation of Greater Montréal and matching grants under the program are also transferred to this fund. Such amounts are not included in the Museum's statement of financial position however the Museum remains the beneficiary of the investment income generated. As at March 31, 2023, the fair value of the investment account, including both the Museum's portion and the matching portion, is \$623,201 (\$634,401 as at March 31, 2022).

## 16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.












# The McCord Stewart Museum\_2023-03-31\_ FS

Final Audit Report

2023-08-04

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