

Financial statements of

**THE McCORD MUSEUM OF CANADIAN
HISTORY**

March 31, 2013 and March 31, 2012

THE McCORD MUSEUM OF CANADIAN HISTORY

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Independent auditor's report

To the Board of Trustees of
The McCord Museum of Canadian History

We have audited the accompanying financial statements of The McCord Museum of Canadian History (the "Museum"), which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 during our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the Museum derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our work in respect of this revenue was limited to the amounts recorded in the records of the Museum and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended March 31, 2013 and March 31, 2012, current assets and fund balances as at March 31, 2013, March 31, 2012 and April 1, 2011.

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 Museum as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte s.e.n.c.r.l.¹

June 12, 2013

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

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Statements of operations and changes in fund balances

years ended March 31, 2013 and March 31, 2012

	Operating Fund	Capital Assets Fund	Endowment Fund	2013
	\$	\$	\$	\$
Revenue				
Government of Quebec (Note 4)	3,250,532	55,592	-	3,306,124
Government of Canada (Note 5)	6,416	4,980	-	11,396
Other grants	71,512	-	-	71,512
The Montreal Arts Council	74,200	-	-	74,200
Ville de Montréal	33,500	-	-	33,500
Contributed services (Note 3)	59,830	-	-	59,830
Foundation grants (Note 14)	627,717	42,004	-	669,721
Investment income	513,017	-	-	513,017
Visitor services	336,681	-	-	336,681
Admissions	354,388	-	-	354,388
Fundraising	828,941	-	-	828,941
Sponsorship	162,941	-	-	162,941
Rental	61,852	-	-	61,852
Other	83,250	-	-	83,250
	6,464,777	102,576	-	6,567,353
Expenses				
Administration	1,081,696	-	-	1,081,696
Visitor services	379,068	-	-	379,068
Interest on long-term debt	20,525	8,653	-	29,178
Building and security	1,039,414	-	-	1,039,414
Collection (Note 3)	977,389	-	-	977,389
Education programs	674,641	-	-	674,641
Exhibitions	1,467,510	-	-	1,467,510
Development, marketing and communications	817,861	-	-	817,861
Amortization of capital assets	-	201,750	-	201,750
	6,458,104	210,403	-	6,668,507
(Deficiency) excess of revenue over expenses before the undernoted items	6,673	(107,827)	-	(101,154)
Change in the fair value of investments	385,988	-	-	385,988
Excess (deficiency) of revenue over expenses	392,661	(107,827)	-	284,834
Fund balances as at March 31, 2012	99,952	3,059,400	10,731,495	13,890,847
Endowment contributions	-	-	-	-
Interfund transfers (Note 6)	(509,302)	86,263	423,039	-
Fund balances as at March 31, 2013	(16,689)	3,037,836	11,154,534	14,175,681

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Statements of operations and changes in fund balances (continued)
years ended March 31, 2013 and March 31, 2012

	Operating Fund	Capital Assets Fund	Endowment Fund	2012
	\$	\$	\$	\$
Revenue				
Government of Quebec (Note 4)	1,946,614	56,341	-	2,002,955
Government of Canada (Note 5)	16,058	-	-	16,058
Other grants	73,728	-	-	73,728
Montreal Urban Community	70,000	-	-	70,000
Ville de Montréal	60,000	-	-	60,000
Contributed services (Note 3)	59,420	-	-	59,420
Foundation grants (Note 14)	638,380	42,312	-	680,692
Special Foundation grants (Note 14)	950,000	-	-	950,000
Investment income	415,189	-	-	415,189
Visitor services	297,079	-	-	297,079
Admissions	340,412	-	-	340,412
Fundraising	843,384	-	-	843,384
Sponsorship	235,900	-	-	235,900
Rental	150,715	-	-	150,715
Other	54,627	-	-	54,627
	6,151,506	98,653	-	6,250,159
Expenses				
Administration	1,010,516	-	-	1,010,516
Visitor services	360,338	-	-	360,338
Interest on long-term debt	2,663	15,653	-	18,316
Building and security	942,974	-	-	942,974
Collection (Note 3)	795,804	-	-	795,804
Education programs	672,651	-	-	672,651
Exhibitions	1,315,316	-	-	1,315,316
Development, marketing and communications	1,035,709	-	-	1,035,709
Amortization of capital assets	-	191,429	-	191,429
	6,135,971	207,082	-	6,343,053
(Deficiency) excess of revenue over expenses before the undernoted items	15,535	(108,429)	-	(92,894)
Change in the fair value of investments	(259,435)	-	-	(259,435)
Deficiency of revenue over expenses	(243,900)	(108,429)	-	(352,329)
Fund balances as at April 1, 2011	(551,411)	3,115,525	11,679,062	14,243,176
Endowment contributions	-	-	-	-
Interfund transfers (Note 6)	895,263	52,304	(947,567)	-
Fund balances as at March 31, 2012	99,952	3,059,400	10,731,495	13,890,847

THE McCORD MUSEUM OF CANADIAN HISTORY

Statements of financial position


as at March 31, 2013, March 31, 2012 and April 1, 2011

	Operating Fund	Capital Assets Fund	Endowment Fund	Total March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash	230,880	-	-	230,880	431,432	249,998
Amounts receivable	168,700	-	-	168,700	131,002	209,677
Grants receivable (Note 10)	1,969,039	45,653	-	2,014,692	151,217	241,144
Due from The McCord Museum Foundation	77,547	-	-	77,547	-	-
Due from Other Funds (Note 3)	-	-	1,020,811*	-	-	-
Inventory	119,380	-	-	119,380	122,322	97,778
Prepaid expenses	86,867	-	-	86,867	89,217	73,560
	2,652,413	45,653	1,020,811	2,698,066	925,190	872,157
Grants receivable (Note 10)	312,661	98,210	-	410,871	552,186	187,359
Investments (Note 13)	-	-	10,133,723	10,133,723	10,923,277	11,325,565
Capital assets (Note 7)	-	3,303,833	-	3,303,833	3,352,846	3,491,971
	2,965,074	3,447,696	11,154,534	16,546,493	15,753,499	15,877,052
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	722,425	-	-	722,425	518,508	499,531
Government remittances	134,265	-	-	134,265	110,130	110,916
Due to Other Funds (Note 3)	1,020,811*	-	-	-	-	-
Deferred revenue (Note 8)	245,939	-	-	245,939	253,209	272,268
Current portion of long-term debt (Note 10)	545,662	45,653	-	591,315	135,173	187,356
	2,669,102	45,653	-	1,693,944	1,017,020	1,070,071
Long-term debt (Note 10)	312,661	98,210	-	410,871	552,186	187,359
Deferred contributions (Note 11)	-	265,997	-	265,997	293,446	376,446
	2,981,763	409,860	-	2,370,812	1,862,652	1,633,876
Fund balances						
Invested in capital assets	-	3,037,836	-	3,037,836	3,059,400	3,115,525
Externally restricted (Note 12)	-	-	10,813,034	10,813,034	10,813,034	11,313,034
Internally restricted (Note 12)	-	-	341,500	341,500	(81,539)	366,028
Unrestricted	(16,689)	-	-	(16,689)	99,952	(551,411)
	(16,689)	3,037,836	11,154,534	14,175,681	13,890,847	14,243,176
	2,965,074	3,447,696	11,154,534	16,546,493	15,753,499	15,877,052

* These amounts are not included in the total column because they offset each other.

On behalf of the Board of Trustees

.....Trustee

.....Trustee

THE McCORD MUSEUM OF CANADIAN HISTORY

Statements of cash flows

year ended March 31, 2013 and March 31, 2012

	2013	2012
	\$	\$
Cash from operating activities		
Excess (deficiency) of revenue over expenses	284,834	(352,329)
Adjustments for:		
Amortization of capital assets	201,750	191,429
Amortization of deferred contributions	(93,923)	(83,000)
Change in the fair value of investments	(385,988)	259,435
	6,673	15,535
Net change in non-cash working capital items	(1,752,646)	127,533
Net cash (used in) from operating activities	(1,745,973)	143,068
Investing activities		
Purchase of capital assets	(152,737)	(52,304)
Purchase of investments	(447,069)	(1,029,611)
Disposal of investments	1,622,611	1,172,464
Net cash from investing activities	1,022,805	90,549
Financing activities		
Proceeds from long-term grant receivable	141,315	135,173
Increase of long-term grant receivable	-	(500,000)
Increase of deferred contributions	66,474	-
Repayment of long-term debt	(135,173)	(187,356)
Proceeds from long-term debt	450,000	500,000
Net cash from (used in) financing activities	522,616	(52,183)
Net (decrease) increase in cash	(200,552)	181,434
Cash, beginning of year	431,432	249,998
Cash, end of year	230,880	431,432

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

March 31, 2013 and March 31, 2012

1. Status and nature of activities

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 of Canadian History (the “Museum”) is a public research and teaching museum dedicated to the preservation, study, diffusion and appreciation of Canadian history.

2. Adoption of a new accounting framework

During the year ended March 31, 2013, the Museum adopted the new Canadian accounting standards for not-for-profit organizations (the “new standards”) issued by the Canadian Institute of Chartered Accountants (“CICA”) and set out in Part III of the *CICA Handbook*. In accordance with Section 1501 of Part III of the *CICA Handbook*, *First-time adoption by not-for-profit organizations* (“Section 1501”), the date of transition to the new standards was April 1, 2011, and the Museum has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the Museum’s accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 1501, the Museum:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of fund balances, but are recognized as a different type of asset, liability or component of fund balances under the new standards;
- d) applied the new standards in measuring all recognized assets and liabilities.

The Museum has elected to use the exemption for financial instruments that allows the Museum to account for its investments at fair value at the date of transition.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented. The adoption of the new accounting standards had no impact on the financial statements with the exception of the government remittances, which are disclosed separately.

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Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies.

Fund accounting

The Museum follows the deferral method of accounting for contributions.

The Operating Fund accounts for the Museum's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The 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.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred or the related capital assets are amortized. Unexpended funds are recorded on the statement of financial position as deferred revenue or deferred contributions.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as direct increases in the Endowment Fund balance.

Investment income is recognized as revenue when earned. Investment income earned on the Museum's endowments is available for use in operations or other activities subject to approval by the Board of Trustees and is reported as income of the Operating Fund. Each year, the excess of actual endowment income over amounts approved for use in operations is reinvested, or transferred back to the Endowment Fund. Such amounts are classified as internally restricted in the Endowment Fund balance. In years where there is a deficiency, this amount may be transferred to the Operating Fund.

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Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Significant accounting policies (continued)

Contributed services

McGill University provides, at its expense, the services of certain employees. The amount of their salaries and fringe benefits is \$59,830 (\$59,420 in 2012) and is reported as both a revenue and an expense in the Operating Fund.

The Museum is renting 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.

Volunteers contribute numerous hours each 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.

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. Subsequently, all financial instruments are measured at amortized cost except for investments, which are measured at fair value at the statement of financial position date. The fair value of investments is based on the latest closing prices. 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.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Museum 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.

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Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Significant accounting policies (continued)

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 estimated useful lives of the assets as follows:

Computer equipment	5 years
Furniture and fixtures	8 years
Leasehold improvements	10 years
Building	25 years

Collection

The collection 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 the University conferred upon the Museum the custody and care of its collection.

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

Additions to the collection received from gifts in-kind are not reflected in the financial statements. The estimated fair value of such items received during the year is \$1,515,317 (\$1,023,923 in 2012).

Cash contributions received for the purchase of items for the Museum's collection are deferred and recognized in revenue when the purchase is made. Actual purchases of collection items amounts to nil (nil in 2012).

Direct costs incurred for the preservation, restoration and management of the collection are included in the collection expenses line in the statement of operations.

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.

Due from (to) Other Funds

Due from (to) other funds comprise interfund advances which are non-interest bearing and without specific terms of repayment.

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 revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the fair value of certain financial instruments, the useful lives of capital assets and accrued liabilities. Actual results could differ from these estimates.

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Notes to the financial statements

March 31, 2013 and March 31, 2012

4. Revenue - Government of Quebec

	<u>2013</u>	<u>2012</u>
	\$	\$
Ministère de la Culture et des Communications		
Soutien aux institutions muséales	2,912,100	1,387,100
Aide aux Projets	225,864	509,891
Aide aux Immobilisations	76,117	59,004
Bibliothèque et Archives nationales du Québec	32,538	44,685
Secrétariat à la politique linguistique	35,196	1,775
Ministère de l'Emploi et de la Solidarité Sociale	9,009	-
Tourisme Québec - Ministère des Finances et de l'Économie	15,000	-
Ministère de l'Éducation, du Loisir et du Sport	300	500
	<u>3,306,124</u>	<u>2,002,955</u>

5. Revenue - Government of Canada

	<u>2013</u>	<u>2012</u>
	\$	\$
Human Resources and Skills Development Canada	6,416	-
Canada Cultural Spaces Fund	4,980	-
Canadian Heritage Museum Assistance Program	-	16,058
	<u>11,396</u>	<u>16,058</u>

6. Interfund transfers

The Operating Fund transferred \$86,263 (\$52,304 in 2012) to the Capital Assets Fund, representing the acquisition of capital assets from operating resources.

The Operating Fund transferred \$423,039 to the Endowment Fund (\$395,727 from the Endowment Fund in 2012) representing the difference between the current year's actual endowment investment income earned, including the change in fair value of investments and net of investment expenses, relative to the amount approved for spending of \$470,348 (\$496,900 in 2012).

In 2012, pursuant to a resolution by the Board of Trustees and the consent of the original donor, a loan of \$500,000 plus accrued interest of \$51,840 between the Endowment Fund and the Operating Fund was forgiven. Accordingly, the Endowment Fund transferred \$551,840 to the Operating Fund.

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Notes to the financial statements

March 31, 2013 and March 31, 2012

7. Capital assets

	March 31, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	316,528	167,974	148,554
Furniture and fixtures	79,383	43,077	36,306
Leasehold improvements	779,639	629,040	150,599
Building	1,292,603	944,229	348,374
Land	2,620,000	-	2,620,000
	5,088,153	1,784,320	3,303,833

	March 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	215,055	116,636	98,419
Furniture and fixtures	74,083	38,295	35,788
Leasehold improvements	877,746	671,172	206,574
Building	1,284,589	892,524	392,065
Land	2,620,000	-	2,620,000
	5,071,473	1,718,627	3,352,846

	April 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	201,452	95,964	105,488
Furniture and fixtures	66,957	35,067	31,890
Leasehold improvements	1,412,662	1,121,518	291,144
Building	1,284,589	841,140	443,449
Land	2,620,000	-	2,620,000
	5,585,660	2,093,689	3,491,971

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Notes to the financial statements

March 31, 2013 and March 31, 2012

8. Deferred revenue

Deferred revenue represents the unamortized portions of 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:

	<u>2013</u>	<u>2012</u>
	\$	\$
Opening balance	253,209	272,268
Amount received	458,572	1,737,907
Amount amortized to revenue	<u>(465,842)</u>	<u>(1,756,966)</u>
Closing balance	<u>245,939</u>	<u>253,209</u>

9. Bank indebtedness

The Museum has an authorized unsecured line of credit of \$600,000, bearing interest at the prime rate plus 1% (4% as at March 31, 2013, March 31, 2012 and April 1, 2011). As at March 31, 2013, the amount outstanding under this credit facility is nil (nil as at March 31, 2012 and April 1, 2011).

10. Long-term debt

	<u>March 31,</u>		<u>April 1,</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$
Bank loan, bearing interest at 5.20%, amortized over 5 years, due March 31, 2012, and secured by a grant receivable of the same amount from the Government of Quebec, advanced on the same basis as the repayment of principal and interest	-	-	145,915
Bank loan, bearing interest at 4.90%, amortized over 5 years, due October 30, 2015, and secured by a grant receivable of the same amount from the Government of Quebec, advanced on the same basis as the repayment of principal and interest	<u>143,863</u>	187,359	228,800
Amounts carry forwarded	<u>143,863</u>	187,359	374,715

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Notes to the financial statements

March 31, 2013 and March 31, 2012

10. Long-term debt (continued)

	March 31,		April 1,
	2013	2012	2011
	\$	\$	\$
Amounts carry forwarded	143,863	187,359	374,715
Bank loan, bearing interest at 4.30%, amortized over 5 years, due March 30, 2017, and secured by a grant receivable of the same amount from the Government of Quebec, advanced on the same basis as the repayment of principal and interest	408,323	500,000	-
Demand loan, bearing interest at the prime rate plus 1.00 % (4.00% as at March 31, 2013), that will be converted as bank loan no later than January 2014, and will then be amortized over 5 years. This loan will be secured by a grant receivable of the same amount from the Government of Quebec, advanced on the same basis as the repayment of principal and interest	450,000	-	-
	1,002,186	687,359	374,715
Current portion	591,315	135,173	187,356
	410,871	552,186	187,359

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 \$
2014	591,315	141,315
2015	147,736	147,736
2016	154,451	154,451
2017	108,684	108,684
	1,002,186	552,186

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Notes to the financial statements

March 31, 2013 and March 31, 2012

11. Deferred contributions

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:

	<u>2013</u>	<u>2012</u>
	\$	\$
Opening balance	293,446	376,446
Capital funding contributions received	66,474	-
Amount amortized to revenue	(93,923)	(83,000)
Closing balance	<u>265,997</u>	<u>293,446</u>

12. Restrictions on fund balances

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

	<u>March 31,</u>		<u>April 1,</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$
Externally restricted funds			
Endowments	10,813,034	10,813,034	11,313,034
Internally restricted funds			
Reinvested realized endowment income ⁽¹⁾	37,051	-	164,112
Cumulative unrealized (depreciation) appreciation on investments	289,124	(96,864)	186,591
Designated endowment ⁽²⁾	15,325	15,325	15,325
	<u>341,500</u>	<u>(81,539)</u>	<u>366,028</u>

⁽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.

THE McCORD MUSEUM OF CANADIAN HISTORY

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March 31, 2013 and March 31, 2012

13. Financial instruments

The Museum holds and issues financial instruments such as investments, grants receivable and debt instruments. The investments are made up of mutual funds, which invest primarily in publicly traded shares, bonds and debentures. The portfolio breakdown is 35% Canadian Equity, 40% Global Equity and 25% Fixed Income (20%, 38% and 42%, respectively, as at March 31, 2012, and 20%, 37% and 43%, respectively, as at April 1, 2011).

Liquidity risk

The Museum's objective is to have sufficient liquidity to meet its liabilities when due. The Museum monitors its cash balances and cash flow generated from operations to meet its requirements. The most significant financial liabilities are accounts payable and accrued liabilities and long-term debt.

Credit risk

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

Market risk

Market risk represents the potential loss that can be caused by a change in the fair value of an investment. The investments of the museum are subject to normal market fluctuations. The Museum intends to continue investing taking a long-term perspective while focusing on diversification.

Interest rate risk

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

The long-term debt bears interest at fixed rates and consequently, the cash flow exposure is not significant. However, the fair value of long-term debt, bearing interest at fixed rates, could fluctuate because of changes in market interest rates.

14. Related party transactions

The McCord Museum Foundation (formerly known as The Temple Grove Foundation) (the "Foundation") is a not-for-profit organization 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.

The Foundation modified its year-end date during the year from May 31 to March 31, 2013.

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Notes to the financial statements

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14. Related party transactions (continued)

During the year ended March 31, 2013, the Museum recognized \$669,721 (\$1,588,380 in 2012) in grants from The McCord Museum Foundation, of which nil (\$950,000 in 2012) related to a Special Foundation grant. Furthermore, of the externally restricted endowment fund balance at year-end, \$10,000,000 pertains to amounts previously received from The McCord Museum Foundation (\$9,500,000 as at March 31, 2012 and \$10,000,000 as at April 1, 2011).

These transactions were made in the normal course of business and have been recorded at the exchange amount.

Summary financial information of the Foundation as at March 31, 2013 and May 31, 2012 is as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Statements of financial position		
Assets	13,156,299	12,004,109
Liabilities	148,700	10,000
Net assets	13,007,599	11,994,109
	13,156,299	12,004,109
	<u>2013</u>	<u>2012</u>
	\$	\$
Statements of operations*		
Total revenue	2,127,124	(697,657)
Total expenses	1,128,634	1,683,218
Excess (deficiency) of revenue over expenses	998,490	(2,380,875)

* The information for the statements of operations reflects the results of the 10-month period ended March 31, 2013 and year ended May 31, 2012.