

Financial statements of

THE McCORD MUSEUM FOUNDATION

March 31, 2013 and May 31, 2012

THE McCORD MUSEUM FOUNDATION

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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 statements of financial position as at March 31, 2013, May 31, 2012 and June 1, 2011, and the statements of operations, changes in net assets and cash flows for the 10-month period ended March 31, 2013 and the year ended May 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 standards for not-for-profit organizations. 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 in 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 Foundation derives revenue from fundraising 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 Foundation 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 10-month period ended March 31, 2013 and for the year ended May 31, 2012, current assets and net assets as at March 31, 2013, May 31, 2012 and June 1, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2013, May 31, 2012 and June 1, 2011, and the results of its operations and its cash flows for the 10-month period ended March 31, 2013 and the year ended May 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte s.e.n.c.r.l.¹

July 3, 2013

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

THE McCORD MUSEUM FOUNDATION

Statements of operations

10-month period ended March 31, 2013 and year ended May 31, 2012

	2013	2012
	\$	\$
Revenue		
Investment income	1,518,648	(698,657)
Fundraising		
Annual campaign	248,797	-
Major gifts	303,555	1,000
Fundraising events	56,124	-
	2,127,124	(697,657)
Expenses		
Investment management fees	52,724	43,996
Administration	244,211	49,842
Fundraising		
Annual campaign	11,803	-
Fundraising events	12,477	-
Donor recognition	10,652	-
Contributions made to the McCord Museum (Note 7)	796,767	1,589,380
	1,128,634	1,683,218
Excess (deficiency) of revenue over expenses	998,490	(2,380,875)

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Statements of changes in net assets

10-month period ended March 31, 2013 and year ended May 31, 2012

	Endowment	Unrestricted	Total
	\$	\$	\$
Balance, as at June 1, 2011	-	14,374,984	14,374,984
Deficiency of revenue over expenses	-	(2,380,875)	(2,380,875)
Balance, as at May 31, 2012	-	11,994,109	11,994,109
Excess of revenue over expenses	-	998,490	998,490
Endowment contributions	15,000	-	15,000
Balance, as at March 31, 2013	15,000	12,992,599	13,007,599

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Statements of financial position

as at March 31, 2013, May 31, 2012 and June 1, 2011

	March 31, 2013	May 31, 2012	June 1, 2011
	\$	\$	\$
Assets			
Current assets			
Cash	225,532	79,107	116,862
Commodity taxes receivable	25,909	5,463	9,190
Prepaid expenses	78,828	-	-
	330,269	84,570	126,052
Long-term investments (Note 4)	12,826,030	11,919,539	14,263,432
	13,156,299	12,004,109	14,389,484

Liabilities


Current liabilities

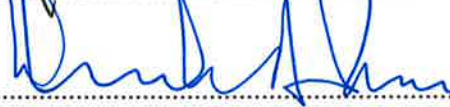
Accounts payable and accrued liabilities	36,153	10,000	14,500
Due to the McCord Museum	77,547	-	-
Deferred revenues	35,000	-	-
	148,700	10,000	14,500

Net assets

Endowment	15,000	-	-
Unrestricted	12,992,599	11,994,109	14,374,984
	13,007,599	11,994,109	14,374,984
	13,156,299	12,004,109	14,389,484

Approved by the Board


.....Director


.....Director

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Statements of cash flows

10-month period ended March 31, 2013 and year ended May 31, 2012

	2013	2012
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	998,490	(2,380,875)
Adjustment for:		
Change in fair value of investments	(1,120,420)	1,128,632
	(121,930)	(1,252,243)
Changes in non-cash operating working capital items		
Commodity taxes receivable	(20,446)	3,727
Prepaid expenses	(78,828)	-
Accounts payable and accrued liabilities	26,153	(4,500)
Deferred revenue	35,000	-
Due to the McCord Museum	77,547	-
	(82,504)	(1,253,016)
Financing activities		
Endowment contributions	15,000	-
	15,000	-
Investing activities		
Purchase of investments	(758,092)	(2,047,675)
Disposal of investments	972,021	3,262,936
	213,929	1,215,261
Net cash inflow	146,425	(37,755)
Cash position, beginning of period	79,107	116,862
Cash position, end of period	225,532	79,107

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Notes to the financial statements

10-month period ended March 31, 2013 and year ended May 31, 2012

1. Status and nature of activities

The McCord Museum Foundation (the “Foundation”) is a not-for-profit organization which was incorporated in 1993 and is a registered charity under the *Income Tax Act*. The objectives of this 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 (the “McCord Museum”).

The Foundation modified its year-end date during the period from May 31 to March 31 in order to coincide with the year-end of the McCord Museum.

2. Adoption of a new accounting framework

During the period ended March 31, 2013, the Foundation 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 June 1, 2011, and the Foundation 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 Foundation’s accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, the Foundation:

- 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 net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

The Foundation has elected to use the exemption for financial instruments that allows the Foundation 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 periods presented in the financial statements. The adoption of these new standards had no impact on the financial statements.

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Notes to the financial statements

10-month period ended March 31, 2013 and year ended May 31, 2012

3. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of accounting for contributions and include the following significant accounting policies.

Revenue recognition

Revenue from donations is recorded when received. Restricted donations and contributions are deferred and recorded as revenue when the related expense is incurred. Fundraising events revenue is recognized when the events are held. Amounts received in advance of events are included in deferred revenues.

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 balance sheet 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 financial instruments measured at fair value 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.

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Notes to the financial statements

10-month period ended March 31, 2013 and year ended May 31, 2012

4. Long-term investments

	<u>March 31, 2013</u>		<u>May 31, 2012</u>		<u>June 1, 2011</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
	\$	\$	\$	\$	\$	\$
Money Market Funds	252,877	252,877	511,667	511,667	438,599	438,599
Pooled Fixed Income Funds	3,709,702	3,534,037	3,811,872	3,598,232	4,353,136	4,211,087
Pooled Canadian Equity Funds	4,807,587	5,026,834	4,091,404	4,895,441	5,152,091	5,015,843
Pooled Foreign Equity Funds	4,055,864	4,474,581	3,504,596	4,496,918	4,319,606	4,856,872
	<u>12,826,030</u>	<u>13,288,329</u>	<u>11,919,539</u>	<u>13,502,258</u>	<u>14,263,432</u>	<u>14,522,401</u>

5. Commitments

The Foundation agreed to support the operations of the McCord Museum with an annual grant amounting to approximately 4.25% of the fair value of investments at December 31 of the prior fiscal year. The grant paid in 2013 in relation with this commitment was \$544,800 (\$638,380 in 2012).

6. Financial instruments

Market risk

Market risk represents the potential loss that can be caused by a change in the fair value of an investment. The investments of the Foundation in Pooled Funds are exposed to financial risks that arise from the fluctuations of interest and foreign exchange rates and equity value and the degree of volatility of these items in trading markets, as they affect the value of investments subject to normal market fluctuations and the risk inherent in investments in the stock market. The concentration of risk is minimized because of the Foundation's diversification of its investment portfolio.

Liquidity risk

The Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. The most significant financial liabilities are accounts payable and accrued liabilities and due to McCord Museum.

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Notes to the financial statements

10-month period ended March 31, 2013 and year ended May 31, 2012

7. Related party transactions

During the period, the Foundation made the following contributions to the McCord Museum:

	<u>2013</u>	<u>2012</u>
	\$	\$
Restricted		
Collections	166,580	-
Exhibitions	26,000	-
Education and cultural activities	85,000	-
	<u>277,580</u>	<u>-</u>
Non-restricted		
Net proceeds of fundraising activities	80,780	1,000
Income distribution from endowment	438,407	1,588,380
	<u>519,187</u>	<u>1,589,380</u>
	<u>796,767</u>	<u>1,589,380</u>

In addition, the Foundation coordinates the fundraising events for the benefit of the McCord Museum. The net result of activities for April and May 2012 was \$344,692; however, these amounts are reflected directly in the McCord Museum's financial statements.