
Financial statements of The McCord Museum Foundation

March 31, 2018.

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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, 2018, 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 this revenue 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, (deficiency) excess of revenue over expenses and cash flows from operating activities for the years ended March 31, 2018, and 2017, current assets as at March 31, 2018, and 2017, and net assets as at March 31, 2018, and 2017, and April 1, 2016. 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, 2018, 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 LLP¹

June 21, 2018

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

The McCord Museum Foundation
Statement of operations
Year ended March 31, 2018

	Notes	2018	2017
		\$	\$
Revenue			
Fundraising			
Annual campaign		227,007	261,097
Major gifts		627,750	475,250
Fundraising events		989,620	911,245
Investment income	4	527,961	3,473,989
		2,372,338	5,121,581
Expenses			
Investment management fees		122,291	106,571
Administration		337,294	306,545
Fundraising			
Annual campaign		30,029	26,172
Fundraising events		286,390	263,642
Donor recognition		30,381	14,386
Capital campaign		132	42,426
Contributions to The McCord Stewart Museum	7	2,191,450	1,912,306
		2,997,967	2,672,048
(Deficiency) excess of revenue over expenses		(625,629)	2,449,533

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, 2018

				2018	2017
	Internally restricted	Unrestricted	Endowments	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	25,000	16,231,061	11,052,068	27,308,129	14,431,528
(Deficiency) excess of revenue over expenses	—	(625,629)	—	(625,629)	2,449,533
Endowment contributions	—	—	—	—	10,427,068
Transfer	60,000	(60,000)	—	—	—
Balance, end of year	85,000	15,545,432	11,052,068	26,682,500	27,308,129

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

The McCord Museum Foundation
Statement of financial position
As at March 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		777,265	157,963
Accounts receivable		137,089	115,976
Sales taxes receivable		26,765	143,187
Prepaid expenses		91,915	194,589
		1,033,034	611,715
Investments	3	26,363,899	27,147,490
		27,396,933	27,759,205
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		21,420	33,162
Due to The McCord Stewart Museum		25,579	38,034
Deferred revenue		667,434	379,880
		714,433	451,076
Commitments	5		
Net assets			
Internally restricted		85,000	25,000
Unrestricted		15,545,432	16,231,061
Endowments		11,052,068	11,052,068
		26,682,500	27,308,129
		27,396,933	27,759,205

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, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(625,629)	2,449,533
Adjustment for		
Change in fair value of investments	542,751	(2,636,873)
	(82,878)	(187,340)
Changes in non-cash operating working capital items		
Accounts receivable	(21,113)	(16,643)
Sales taxes receivable	116,422	(32,344)
Prepaid expenses	102,674	(166,666)
Accounts payable and accrued liabilities	(11,742)	3,179
Due to The McCord Stewart Museum	(12,455)	(93,473)
Deferred revenue	287,554	70,589
	378,462	(422,698)
Investing activities		
Purchase of investments	(10,196,540)	(1,798,001)
Disposal of investments	10,437,380	2,243,111
	240,840	445,110
Net increase in cash	619,302	22,412
Cash, beginning of year	157,963	135,551
Cash, end of year	777,265	157,963

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

The McCord Museum Foundation
Notes to the financial statements
March 31, 2018

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 immoveable property for the purpose of funding or distributing funds to The McCord Stewart Museum.

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 the 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.

The McCord Museum Foundation
Notes to the financial statements
 March 31, 2018

3. Investments

	2018		2017	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Total investments managed				
Cash	53,817	53,817	88,660	88,660
Money market fund	470,970	471,224	290,600	290,793
Fixed income fund	5,814,096	5,907,553	5,280,594	5,190,543
Canadian equity fund	12,036,669	11,758,713	12,976,027	11,730,347
Global equity fund	7,988,347	7,463,821	8,511,609	6,773,551
	26,363,899	25,655,128	27,147,490	24,073,894

4. Investment income

	2018	2017
	\$	\$
Income distribution	1,070,712	837,116
Change in fair value	(542,751)	2,636,873
	527,961	3,473,989

5. Commitments

In connection with the combination agreement signed on June 30, 2013, by the The McCord Stewart Museum (formerly The McCord Museum of Canadian History and The David M. Stewart Museum), the Foundation has committed to funding The McCord Stewart Museum an annual amount of at least 4.25% of its investments as well as transferring net proceeds of fundraising activities to The McCord Stewart Museum.

In the year 2017, The McCord Stewart Museum (the "Museum") and the Foundation signed a funding agreement whereby the Foundation guarantees or provides a line of credit of up to \$1,500,000 for the Museum as well as guarantees or provides 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 rates, 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.

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 Stewart Museum.

The McCord Museum Foundation
Notes to the financial statements
 March 31, 2018

7. Related party transactions

On December 31, 2017, The McCord Museum of Canadian History merged with The David M. Stewart Museum to become The McCord Stewart Museum. Amounts and balances disclosed in these financial statements related to The McCord Stewart Museum or the Museum include the combined amounts of balances and transactions related to these predecessor entities.

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

	2018	2017
	\$	\$
Restricted		
Collections	102,500	—
Education and cultural activities	165,250	1,750
	267,750	1,750
Non-restricted		
Net proceeds of fundraising activities	790,700	859,656
Income distribution from endowment	1,133,000	1,050,900
	1,923,700	1,910,556
	2,191,450	1,912,306

An amount of nil (\$10,427,068 in 2017) received from The McCord Stewart Museum was included in the statement of changes in net assets as endowment contributions.

In 2018, the Foundation raised \$264,000 on behalf of the Museum, allowing donors to benefit from Revenu Québec's additional tax credit for a large cultural donation. These funds were donated directly to the Museum and are not reflected in the Foundation's financial statements.

