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# Financial statements of The McCord Stewart Museum

March 31, 2021

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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, 2021, 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, 2021, 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 14, 2021

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A125888

**The McCord Stewart Museum**  
**Statement of operations and changes in fund balances**  
Year ended March 31, 2021

		2021				2020
Notes		Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total
		\$	\$	\$	\$	\$
<b>Revenue</b>						
	3	4,208,518	7,419	95,752	—	4,311,689
	4	2,453,426	—	14,672	—	2,468,098
	5	81,881	—	—	—	81,881
		138,437	—	—	—	138,437
		55,866	—	—	—	55,866
	16	943,001	—	—	—	943,001
	16	1,320,848	—	3,427	—	1,324,275
		105,400	—	—	—	105,400
		217,229	—	—	—	217,229
		213,945	—	—	—	213,945
		29,985	—	—	—	29,985
	6	15,448	—	—	—	15,448
		26,562	—	—	—	26,562
		<b>9,810,546</b>	<b>7,419</b>	<b>113,851</b>	<b>—</b>	<b>9,931,816</b>
<b>Expenses</b>						
		1,715,058	2,500	—	—	1,717,558
		381,690	—	—	—	381,690
		—	15,220	30,322	—	45,542
		1,681,856	—	—	—	1,681,856
	2	1,563,351	—	—	—	1,563,351
		696,314	—	—	—	696,314
		1,261,121	—	—	—	1,261,121
		1,182,009	—	—	—	1,182,009
		—	—	271,328	—	271,328
		<b>8,481,399</b>	<b>17,720</b>	<b>301,650</b>	<b>—</b>	<b>8,800,769</b>
		1,329,147	(10,301)	(187,799)	—	1,131,047
		229,509	—	—	—	229,509
		<b>1,558,656</b>	<b>(10,301)</b>	<b>(187,799)</b>	<b>—</b>	<b>1,360,556</b>
		200,307	(294,207)	3,187,263	1,584,849	4,678,212
	7	(650,000)	—	650,000	—	—
	7	(523,483)	—	523,483	—	—
	7	(324,553)	—	—	324,553	—
		<b>260,927</b>	<b>(304,508)</b>	<b>4,172,947</b>	<b>1,909,402</b>	<b>6,038,768</b>

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

**The McCord Stewart Museum**  
**Statement of financial position**  
As at March 31, 2021

		2021				2020	
Notes	Operating Fund	Special Project Fund	Capital Assets Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	\$	\$	
<b>Assets</b>							
Current assets							
	Cash	2,945,126	—	—	—	2,945,126	703,390
	Accounts receivable	105,003	—	—	4,226	109,229	226,510
	Grants receivable	104,271	18,369	62,217	—	184,857	828,192
	Due from The McCord Museum Foundation	20,718	—	—	—	20,718	53,814
	Due from The McCord Museum Foundation	2,200,000	—	—	—	2,200,000	2,200,000
	Due from other funds	—	—	687,289*	—	—	—
	Inventory	248,757	—	—	—	248,757	252,671
	Prepaid expenses	78,701	—	—	—	78,701	133,042
		<b>5,702,576</b>	<b>18,369</b>	<b>749,506</b>	<b>4,226</b>	<b>5,787,388</b>	4,397,619
	Grants receivable	—	279,514	632,079	—	911,593	315,852
	Investments	—	—	—	2,020,523	2,020,523	1,711,495
	Due from The McCord Museum Foundation	2,200,000	—	—	—	2,200,000	4,400,000
	Capital assets	—	—	3,841,035	—	3,841,035	3,588,880
	Collections	—	—	1	—	1	1
		<b>7,902,576</b>	<b>297,883</b>	<b>5,222,621</b>	<b>2,024,749</b>	<b>14,760,540</b>	14,413,847
<b>Liabilities</b>							
Current liabilities							
	Accounts payable and accrued liabilities	1,043,463	8	—	—	1,043,471	972,186
	Government remittances	23,108	—	—	—	23,108	23,547
	Due to other funds	391,699*	270,961*	—	24,629*	—	—
	Deferred revenue	3,983,379	15,569	—	—	3,998,948	2,747,322
	Current portion of long-term debt	—	36,339	62,217	—	98,556	784,392
		<b>5,441,649</b>	<b>322,877</b>	<b>62,217</b>	<b>24,629</b>	<b>5,164,083</b>	4,527,447
	Deferred revenue	2,200,000	—	—	—	2,200,000	4,400,000
	Long-term debt	—	279,514	632,079	—	911,593	315,852
	Deferred contributions	—	—	355,378	90,718	446,096	492,336
		<b>7,641,649</b>	<b>602,391</b>	<b>1,049,674</b>	<b>115,347</b>	<b>8,721,772</b>	9,735,635
<b>Fund balances</b>							
	Invested in capital assets	—	—	3,522,947	—	3,522,947	3,187,263
	Externally restricted	—	—	—	—	—	440,031
	Internally restricted	—	(304,508)	650,000	1,909,402	2,254,894	850,611
	Unrestricted	260,927	—	—	—	260,927	200,307
		<b>260,927</b>	<b>(304,508)</b>	<b>4,172,947</b>	<b>1,909,402</b>	<b>6,038,768</b>	4,678,212
		<b>7,902,576</b>	<b>297,883</b>	<b>5,222,621</b>	<b>2,024,749</b>	<b>14,760,540</b>	14,413,847

\* 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 Trustee

 , Trustee

**The McCord Stewart Museum**  
**Statement of cash flows**  
Year ended March 31, 2021

	<b>2021</b>	2020
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	<b>1,360,556</b>	(244,159)
Adjustments for:		
Addition to collections at nominal value	—	(1)
Amortization of capital assets	<b>271,328</b>	220,052
Amortization of deferred contributions	<b>(98,672)</b>	(95,061)
Change in fair value of investments	<b>(229,509)</b>	140,187
	<b>1,303,703</b>	21,018
Changes in non-cash operating working capital items	<b>1,531,104</b>	(492,410)
	<b>2,834,807</b>	(471,392)
<b>Investing activities</b>		
Purchase of capital assets	<b>(523,483)</b>	(69,231)
Capital funding contributions received	<b>52,432</b>	—
Purchase of investments	<b>(137,341)</b>	(99,043)
Disposal of investments	<b>57,822</b>	121,537
	<b>(550,570)</b>	(46,737)
<b>Financing activities</b>		
Proceeds from grants receivable	<b>47,594</b>	120,098
Repayment of long-term debt	<b>(90,095)</b>	(141,054)
	<b>(42,501)</b>	(20,956)
Net increase (decrease) in cash	<b>2,241,736</b>	(539,085)
Cash, beginning of year	<b>703,390</b>	1,242,475
<b>Cash, end of year</b>	<b>2,945,126</b>	703,390

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

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

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 (the "Museum"). On February 10, 2021, the Museum announced its intention to accelerate the physical integration of the two museums at the Sherbrooke St. location. Accordingly, the Stewart Museum site will be closed permanently in the 2021-22 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.

### *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.

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 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.



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

### *Deferred contributions – Mécénat Placements Culture program*

The recognition of the donations related to the Mécénat Placements Culture (MPC) program differs according to the management agreement signed between the Museum and The Foundation of Greater Montréal (FGM).

When the managing agreement does not include the transfer of the ownership of the related donations to the FGM, the donations are recorded as deferred contributions by the Museum. These grants will be recognized in revenue in the year the restriction on the funds expires, which in this case will be in 2029, on the 10<sup>th</sup> anniversary of the acceptance by the Conseil des arts et des lettres du Québec (CALQ). Investment income generated on the 10-year MPC funds is recognized when earned by the Museum as per the accounting policy for investment income stated above.

When the managing agreement includes the transfer of the ownership of the related donations to the FGM, the assets are not recorded in the Museum's financial statements and investment income is recorded when distributions are made by the FGM to the Museum.

### *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.

The Museum also rents premises at the Fort on St. Helen's Island in Montréal from Société du Parc Jean-Drapeau. The lease, which includes provision of utilities and maintenance services, had an initial term of 10 years ending December 31, 2020, at a rental cost of \$1 per annum. The lease was extended for an additional period of one year ending December 31, 2021, under the same conditions.

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*

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 except for related party transactions. Subsequently, all financial instruments are measured at amortized cost, except for investments, which are measured at fair value at the closing date. The fair value of investments is based on fair value confirmations 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 the statement of operations and changes in fund balances.

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 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 and changes in fund balances as interest income or expense.

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

### *Financial instruments (continued)*

With respect to financial assets measured at cost or amortized cost, the Museum recognizes in the statement of operations and changes in fund balances 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 is reversed in the statement of operations and changes in fund balances 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 \$978,029 (\$1,463,204 in 2020).

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 \$6,377 (\$456 in 2020).

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.

## 2. Accounting policies (continued)

### *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

	<b>2021</b>	2020
	\$	\$
Ministère de la Culture et des Communications du Québec		
Soutien aux institutions muséales	<b>4,069,946</b>	3,983,111
Aide aux projets	<b>56,974</b>	—
Aide aux immobilisations	<b>117,795</b>	136,550
Bibliothèque et Archives nationales du Québec	<b>54,258</b>	39,937
Secrétariat à la politique linguistique	<b>1,210</b>	4,840
Secrétariat à la jeunesse	<b>1,745</b>	—
Ministère du Travail, de l'Emploi et de la Solidarité sociale	<b>9,761</b>	—
	<b>4,311,689</b>	4,164,438

## 4. Revenue – Government of Canada

	<b>2021</b>	2020
	\$	\$
Canada Emergency Wage Subsidy	<b>2,389,252</b>	—
Canadian Heritage - Canada-France Agreement	—	6,309
Business and industry	<b>17,975</b>	—
Canada Cultural Spaces Fund	<b>14,672</b>	4,186
Employment and Social Development Canada	<b>541</b>	12,760
Library and Archives Canada	<b>40,658</b>	—
Canada Council for the Arts	<b>5,000</b>	3,427
	<b>2,468,098</b>	26,682

**5. Revenue – Other grants**

	<b>2021</b>	2020
	\$	\$
Destination Centre-Ville	<b>25,000</b>	—
Canadian Museum Association	<b>34,641</b>	23,861
Tourism Montreal	<b>17,000</b>	28,000
Nuit Blanche à Montréal	—	2,500
McGill University	—	274
Collaborator	—	15,000
Programme Pause de la Factory	<b>5,240</b>	—
	<b>81,881</b>	69,635

**6. Rental income**

	<b>2021</b>	2020
	\$	\$
Events	<b>9,848</b>	162,281
Travelling exhibitions	<b>5,600</b>	108,300
	<b>15,448</b>	270,581

**7. Interfund transfers**

The Operating Fund transferred \$523,483 (\$69,232 in 2020) to the Capital Assets Fund, representing the acquisition of capital assets for \$523,483 from operating resources.

The Operating Fund transferred \$324,553 to the Endowment Fund (Endowment Fund transferred to the Operating Fund \$165,164 in 2020) representing the difference in 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 nil (\$87,680 in 2020).

The Operating Fund transferred \$650,000 to the Capital Assets Fund (nil in 2020), representing a Board designated reserve for capital repairs and information technology upgrades.

**8. Investments**

	<b>2021</b>		2020	
	<b>Fair value</b>	<b>Cost</b>	Fair value	Cost
	\$	\$	\$	\$
Canadian – Equity fund	<b>601,038</b>	<b>567,049</b>	560,446	574,065
Foreign – Equity fund	<b>156,786</b>	<b>147,961</b>	115,028	137,689
The Foundation of Greater Montréal – Balanced fund	<b>1,262,699</b>	<b>1,140,715</b>	1,036,021	1,062,443
	<b>2,020,523</b>	<b>1,855,725</b>	1,711,495	1,774,197

**8. Investments (continued)**

*MPC program*

The Museum has participated in the MPC program (which is under the authority of the ministère de la Culture et des Communications du Québec ("MCCQ")). Under the terms of the MPC program, specified donations raised by the Museum are transferred into an endowment fund with The Foundation of Greater Montréal and matching grants under the program are also transferred to this fund. Such amounts are therefore not included in the Museum's statement of financial position. As at March 31, 2021, the fair value of the endowment account, including both the Museum's portion and the matching portion, is \$669,625 (\$239,839 as at March 31, 2020).

**9. Capital assets**

	<b>2021</b>			2020
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
	\$	\$	\$	\$
Land	<b>2,620,000</b>	—	<b>2,620,000</b>	2,620,000
Building	<b>469,746</b>	<b>178,413</b>	<b>291,333</b>	251,866
Leasehold improvements	<b>1,522,140</b>	<b>881,487</b>	<b>640,653</b>	589,593
Furniture and fixtures	<b>179,812</b>	<b>68,280</b>	<b>111,532</b>	54,350
Computer equipment	<b>249,888</b>	<b>72,371</b>	<b>177,517</b>	73,071
	<b>5,041,586</b>	<b>1,200,551</b>	<b>3,841,035</b>	3,588,880

**10. 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>2021</b>	2020
	\$	\$
Balance, beginning of year	<b>2,747,322</b>	2,752,851
Amount received	<b>2,673,142</b>	319,717
Amount recognized as revenue	<b>(1,421,516)</b>	(325,246)
Balance, end of year	<b>3,998,948</b>	2,747,322

**11. Bank indebtedness**

The Museum has an authorized unsecured line of credit of \$800,000 (\$800,000 as at March 31, 2020), bearing interest at the prime rate plus 1% (3.45% as at March 31, 2021; 3.45% as at March 31, 2020). As at March 31, 2021, the amount outstanding under this credit facility is nil (nil as at March 31, 2020). The Museum also has a credit facility of \$2,500,000 with CIBC, bearing interest at the prime rate plus 0.50% (2.95% as at March 31, 2021; 2.95% as at March 31, 2020). As at March 31, 2021, the amount outstanding is nil (nil as at March 31, 2020). The CIBC credit facility is secured by The McCord Museum Foundation's investments. The Museum also has a line of credit of up to \$1,500,000 guaranteed or provided by The McCord Museum Foundation, none of which is drawn at year-end (nil as at March 31, 2020). 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.

**12. Long-term debt**

	<b>2021</b>	2020
	\$	\$
Bank loan, bearing interest at 3.07%, amortized over 15 years, maturing on January 31, 2026 <sup>(1)</sup>	<b>694,296</b>	749,618
Bank loan, bearing interest at 4.45%, amortized over 10 years, maturing on May 30, 2023 <sup>(1)</sup>	<b>315,853</b>	350,626
	<b>1,010,149</b>	1,100,244
Current portion	<b>98,556</b>	784,392
	<b>911,593</b>	315,852

<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
	\$	\$
2022	98,556	80,586
2023	99,955	99,955
2024	305,439	305,439
2025	65,874	65,874
2026	440,325	440,325
	<b>1,010,149</b>	<b>992,179</b>

**13. 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>2021</b>	2020
	\$	\$
Opening balance	<b>401,618</b>	496,679
Capital funding contributions received	<b>52,432</b>	—
Amount amortized to revenue	<b>(98,672)</b>	(95,061)
Closing balance	<b>355,378</b>	401,618

*b) Deferred contributions – Endowment Fund*

In previous years, \$90,718 was raised by the Fashion Museum in donations for the MPC program.

**14. Restrictions on Endowment Fund balances**

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

	<b>2021</b>	2020
	\$	\$
Externally restricted funds		
Endowments <sup>(3)</sup>	—	440,031
Internally restricted funds		
Reinvested realized endowment income <sup>(1)</sup>	<b>937,798</b>	840,745
Cumulative unrealized variance on investments	<b>164,798</b>	(62,702)
Board designated endowments <sup>(3)</sup>	<b>790,031</b>	350,000
Designated endowment <sup>(2)</sup>	<b>16,775</b>	16,775
	<b>1,909,402</b>	1,144,818

<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. Reinvested realized endowment income consists of the accumulated realized income generated from endowments less accumulated approved uses of those funds paid out.

<sup>(2)</sup> 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.

<sup>(3)</sup> The externally restricted endowments were subject to a 10-year holding period at the time of their donation. This period lapsed during the year and the amounts have been reclassified as part of Board designated endowments.

## **15. 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 Museum's investments 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 minimized because of the Museum's diversification of its investment portfolio.

### *Credit risk*

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

### *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.

## **16. Related party transactions**

### *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, 2021, the Museum recognized in the normal course of business \$1,324,275 (\$2,365,413 in 2020) in grants from the Foundation.

In 2013, the Museum commenced receiving \$2,200,000 annually from the 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 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, 2021, the amount due from the Foundation is presented in the statement of financial position as \$2,200,000 (\$2,200,000 as at March 31, 2020) in current assets and \$2,200,000 (\$4,400,000 as at March 31, 2020) in long-term assets. The additional \$125,720 annual promise is considered a pledge from the Foundation to the Museum.

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



**16. Related party transactions (continued)**

*The McCord Museum Foundation (continued)*

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

	<b>2021</b>	2020
	\$	\$
Statement of financial position		
Assets	<b>35,472,750</b>	31,734,123
Liabilities	<b>4,577,295</b>	6,852,250
Net assets	<b>30,895,455</b>	24,881,873
	<b>35,472,750</b>	31,734,123
Statement of operations		
Total revenue	<b>7,878,450</b>	(30,916)
Total expenses	<b>1,864,868</b>	3,265,978
Excess (deficiency) of revenue over expenses	<b>6,013,582</b>	(3,296,894)

*Macdonald Stewart Foundation*

The statement of operations and changes in fund balances also includes an amount of \$943,001 (\$1,300,000 in 2020) 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.