

**2015|2016
ANNUAL
REPORT
MONTREAL
MUSEUM OF
FINE ARTS**



**FINANCIAL
STATEMENTS OF
THE MUSEUM AND
THE MUSEUM
FOUNDATION**

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS

MARCH 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of The Montreal Museum of Fine Arts

We have audited the financial statements of The Montreal Museum of Fine Arts, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and 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 audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Montreal Museum of Fine Arts as at March 31, 2016, 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.

RESTATED COMPARATIVE INFORMATION

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that certain comparative information for the year ended March 31, 2015, has been restated.

Deloitte LLP¹

June 29, 2016


¹ CPA auditor, CA, public
accountancy permit No. A120628

STATEMENT OF FINANCIAL POSITION

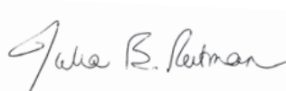
AS AT MARCH 31, 2016

	General Fund	Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
					2016	2015
	\$	\$	\$	\$	\$	\$
Assets						(restated note 2)
Current assets						
Cash and term deposits	1,718,539	—	—	—	1,718,539	2,309,229
Accounts receivable	1,487,384	—	—	—	1,487,384	1,600,638
Interfund balances	3,254,367	(3,664,008)	559,641	(150,000)	—	—
Amount receivable from the Foundation, non-interest bearing and without specific terms of repayment	2,746,268	—	—	—	2,746,268	1,967,728
Grants receivable	1,975,310	3,999,786	—	—	5,975,096	5,452,323
Inventories of the Boutique and Bookstore	892,624	—	—	—	892,624	855,983
Prepaid expenses	1,052,519	—	—	—	1,052,519	833,339
	13,127,011	335,778	559,641	(150,000)	13,872,430	13,019,240
Grants receivable	2,326,704	10,302,318	—	—	12,629,022	16,024,695
Investments (note 13)	3,427,301	—	12,985,000	—	16,412,301	17,434,180
Accumulated interest	—	400,000	—	—	400,000	800,000
Capital assets (note 5)	—	98,656,565	—	—	98,656,565	99,375,925
Construction in progress	—	24,610,722	—	—	24,610,722	12,066,068
	18,881,016	134,305,383	13,544,641	(150,000)	166,581,040	158,720,108
Liabilities						
Current liabilities						
Bank overdraft	—	344,879	—	—	344,879	—
Bank loans (note 6)	4,500,000	18,500,000	—	—	23,000,000	9,550,000
Accrued interest	24,421	149,038	—	—	173,459	329,705
Accounts payable and accrued liabilities	2,769,791	2,264,501	—	—	5,034,292	6,478,285
Deferred revenue	3,289,175	—	—	—	3,289,175	2,933,385
Deferred contributions	1,477,668	—	—	—	1,477,668	1,496,169
Advance from the Foundation, non-interest bearing and without specific terms of repayment	2,840,201	—	—	—	2,840,201	2,840,201
Current portion of debt (note 7)	788,809	3,850,748	—	—	4,639,557	4,656,226
	15,690,065	25,109,166	—	—	40,799,231	28,283,971
Debt (note 7)	2,326,704	9,858,434	—	—	12,185,138	21,824,695
Deferred contributions (note 8)	—	73,163,347	5,204,437	—	78,367,784	73,802,837
Accrued benefit obligations – pension plan (note 9)	—	—	—	658,700	658,700	773,800
Accrued benefit obligations – post-employment benefits (note 9)	—	—	—	707,700	707,700	716,400
	18,016,769	108,130,947	5,204,437	1,366,400	132,718,553	125,401,703
Commitments (note 11)						
Net assets						
Endowments	1,247,549	—	8,340,204	—	9,587,753	9,262,919
Invested in capital assets	—	25,397,717	—	—	25,397,717	25,397,717
Internally restricted	2,194,528	—	—	—	2,194,528	2,516,188
Revaluation and other items recognized related to the defined benefit plans	—	—	—	2,126,200	2,126,200	2,284,300
Unrestricted	(2,577,830)	776,719	—	(3,642,600)	(5,443,711)	(6,142,719)
	864,247	26,174,436	8,340,204	(1,516,400)	33,862,487	33,318,405
	18,881,016	134,305,383	13,544,641	(150,000)	166,581,040	158,720,108

Approved by the Board



Jacques Parisien
Chairman of the Board
Trustee



Julia B. Reitman
Vice-president
Trustee

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

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2016

	General Fund		Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
	Operations	Restrictions				2016	2015
	\$	\$	\$	\$	\$	\$	\$
Revenue							(restated note 2)
General							
Admissions and special events	4,296,903	—	—	—	—	4,296,903	4,632,548
Boutique and Bookstore	2,600,194	—	—	—	—	2,600,194	3,102,798
Donations of works of art (including a donation of \$50,413,715 in 2016)	—	—	—	59,311,369	—	59,311,369	5,825,215
Donations and sponsorships (note 12)	2,367,017	—	—	—	—	2,367,017	2,128,157
Donations from the Foundation (note 12)	2,748,452	—	—	—	—	2,748,452	2,861,486
Exhibition catalogues	512,437	—	—	—	—	512,437	554,482
Annual memberships	3,339,047	—	—	—	—	3,339,047	3,086,863
Exhibition participation	1,669,485	—	—	—	—	1,669,485	1,108,665
Investments (note 10)	6,891	(73,121)	—	—	—	(66,230)	503,369
Rental income	431,542	—	—	—	—	431,542	468,507
Miscellaneous (note 12)	537,015	—	—	—	—	537,015	950,631
	18,508,983	(73,121)	—	59,311,369	—	77,747,231	25,222,721
Operating and specific projects grants (note 4)	15,344,565	—	—	—	—	15,344,565	15,390,812
Grants – expansion projects (note 4)	109,524	—	504,371	—	—	613,895	801,935
Amortization of deferred contributions related to capital assets (note 8)	—	—	3,481,916	—	—	3,481,916	3,333,991
Amortization of deferred contributions related to acquisitions of works of art (note 8)	—	—	—	1,448,345	—	1,448,345	2,089,793
	33,963,072	(73,121)	3,986,287	60,759,714	—	98,635,952	46,839,252
Expenses							
Temporary exhibitions	5,943,874	—	—	—	—	5,943,874	6,813,518
Permanent collection	2,326,096	—	—	—	—	2,326,096	2,040,907
Security and maintenance	5,481,917	—	—	—	—	5,481,917	5,799,041
Administrative expenses	5,598,712	—	—	—	441,600	6,040,312	6,328,889
Educational programmes	1,827,052	—	—	—	—	1,827,052	2,180,312
Boutique and Bookstore	2,450,469	—	—	—	—	2,450,469	2,687,808
Curatorial services	4,977,751	—	—	191,923	—	5,169,674	4,776,171
Communications	3,412,172	—	—	—	—	3,412,172	3,217,553
Amortization of capital assets	—	—	3,688,329	—	—	3,688,329	3,449,087
Acquisitions of works of art	—	—	—	1,190,953	—	1,190,953	1,824,901
Amortization of works of art (including a donation of \$50,413,715 in 2016)	—	—	—	59,311,369	—	59,311,369	5,825,215
Rental building	713,364	—	—	—	—	713,364	790,760
Investment management fees	—	23,658	—	65,469	—	89,127	96,003
Interest – projects	109,524	—	504,371	—	—	613,895	801,935
	32,840,931	23,658	4,192,700	60,759,714	441,600	98,258,603	46,632,100
(Deficiency) excess of revenue over expenses before interfund transfers	1,122,141	(96,779)	(206,413)	—	(441,600)	377,349	207,152
Interfund transfers							
Contributions from Restricted Funds to Operations	224,880	(224,880)	—	—	—	—	—
Contributions from General Fund							
to Employee Benefit Fund	(748,500)	—	—	—	748,500	—	—
to Capital Assets Fund	(744,825)	—	744,825	—	—	—	—
(Deficiency) excess of revenue over expenses after interfund transfers	(146,304)	(321,659)	538,412	—	306,900	377,349	207,152
Endowment contributions	—	5,000	—	319,833	—	324,833	24,462
Change in revaluations and other recognized elements	—	—	—	—	(158,100)	(158,100)	775,000
Net assets, beginning of year	(2,431,526)	3,758,736	25,636,024	8,020,371	(1,665,200)	33,318,405	32,311,791
Net assets, end of year	(2,577,830)	3,442,077	26,174,436	8,340,204	(1,516,400)	33,862,487	33,318,405

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	2016	2015
	\$	\$
		(restated note 2)
Operating activities		
Excess of revenue over expenses	377,349	207,152
Adjustments for		
Change in fair value of investments	160,566	(403,955)
Amortization of capital assets	3,688,329	3,449,087
Amortization of deferred contributions related to capital assets	(3,481,916)	(3,333,991)
Amortization of deferred contributions related to acquisitions of works of art	(1,448,345)	(2,089,793)
Accrued benefit obligations	(281,900)	(208,200)
	(985,917)	(2,379,700)
Net change in non-cash operating working capital items	(2,272,381)	2,677,803
	(3,258,298)	298,103
Investing activities		
Change in grants receivable	3,716,784	4,127,038
Net change in investments	239,745	466,371
Capital assets and construction in progress acquisition	(15,025,299)	(8,507,139)
	(11,068,770)	(3,913,730)
Financing activities		
Change in bank loans	13,450,000	6,800,000
Repayments of debt	(9,656,226)	(4,673,108)
Increase in deferred contributions related to capital assets	8,394,977	1,247,896
Increase in deferred contributions related to acquisitions of works of art	877,915	942,954
Endowment received	324,833	24,462
	13,391,499	4,342,204
Net (decrease) increase in cash and cash equivalents	(935,569)	726,577
Cash and cash equivalents, beginning of year	2,309,229	1,582,652
Cash and cash equivalents, end of year	1,373,660	2,309,229
Comprise:		
Cash and term deposits	1,718,539	2,309,229
Bank overdraft	344,879	—
	1,373,660	2,309,229
Non-cash transactions		
Capital assets and construction in progress acquisitions unpaid at year-end	2,120,526	1,632,202
Uncashed deferred contributions	843,884	—

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

1. STATUS AND NATURE OF ACTIVITIES

The Montreal Museum of Fine Arts (the "Museum"), a not-for-profit organization, encourages the plastic arts and an appreciation thereof and acquires, conserves, collects, promotes and exhibits works of art on behalf of the citizens of Montreal, the province of Quebec, Canada and elsewhere. The Museum is incorporated as a private corporation under the *Loi sur le Musée des beaux-arts de Montréal* and is recognized as a registered charity within the meaning of the *Income Tax Act*.

2. RESTATEMENT

The Museum has made adjustments in the Acquisitions Fund regarding the accounting of grants, donations and investment income restricted to the financing of works of art in order to defer these revenues in the statement of financial position and recognized in the statement of operations and changes in net assets when the related expenses are incurred.

	Initially recorded balance as at March 31, 2015	Restatement	Restated balance as at March 31, 2015
	\$	\$	\$
Statement of operations and changes in net assets			
Revenue	47,156,484	(317,232)	46,839,252
Excess of revenue over expenses	524,384	(317,232)	207,152
Net assets, beginning of year	38,390,994	(6,079,203)	32,311,791
Net assets, end of year	39,714,840	(6,396,435)	33,318,405
Statement of financial position			
Deferred contributions	67,406,402	6,396,435	73,802,837
Restricted net assets	18,175,542	(6,396,435)	11,779,107
Endowments	9,262,919	—	9,262,919
Internally restricted	8,912,623	(6,396,435)	2,516,188

3. ACCOUNTING POLICIES

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 uses the deferral method to account for contributions and follows the fund accounting method for the presentation of financial information, whereby resources are classified into funds in accordance with specified activities or objectives.

I GENERAL FUND

The General Fund reports the assets, liabilities, revenue and operating expenses related to the Museum's day-to-day operating activities.

II CAPITAL ASSETS FUND

The Capital Assets Fund reports the assets, liabilities, revenue and expenses related to capital assets and the restricted contributions specifically related thereto.

Deferred contributions of the Capital Assets Fund combine grants and the donations specifically restricted for the financing of the capital assets.

III ACQUISITIONS FUND

The Acquisitions Fund reports the assets, liabilities, revenue and expenses related to acquisitions of works of art. Deferred contributions of the acquisitions fund include grants, donations and investment income restricted to the financing of the acquisition of works of art that are not used at the statement of financial position date.

IV EMPLOYEE BENEFIT FUND

The Employee Benefit Fund presents the accrued benefit obligations as well as costs related to employee future benefit plans.

REVENUE RECOGNITION

Restricted contributions are recognized as revenue of the appropriate fund in the year the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Restricted investment income are deferred then recognized as revenue of the appropriate fund when the related expenses are incurred. Unrestricted investment income is recognized as revenue of the General Fund.

Revenue from the sale of goods or services is recognized when the property was transferred to the person acquiring or when service rendered.

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. 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 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 and changes in net assets as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Museum recognizes in the statement of operations and changes in net assets 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 statement of operations and changes in net assets in the period the reversal occurs.

INTERFUND BALANCES

Interfund balances comprise non-interest-bearing interfund advances, without specific terms of repayment.

BOUTIQUE AND BOOKSTORE INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

ACCUMULATED INTEREST

The interest accumulated during the realization of the expansion project of the Jean-Noël Desmarais Pavilion was accumulated separately from the cost of construction and is being recovered through an annual grant from the Ministère de la Culture et des Communications.

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized based on their estimated useful life using the straight-line method over the following periods:

Buildings	40 years
Building improvements	20 years
Furniture and equipment	5 years
Digital infrastructure	3 years

CONSTRUCTION IN PROGRESS

Construction in progress is recorded at cost. All costs incurred during the construction, both direct and indirect, are capitalized.

EMPLOYEE FUTURE BENEFITS

The cost of the Museum's defined benefit pension plan and post-employment benefit plan are determined periodically by independent actuaries. The Museum has chosen to evaluate the accrued benefit obligations by using the actuarial valuation for funding purposes. This periodic actuarial valuation is based on the method of allocating defined benefit on prorated services (which incorporates management's best estimate of future salary levels, other cost growth, retirement age of employees and other actuarial factors). For the purpose of calculating the real rate of return on plan assets, those assets are valued at fair value.

The Museum uses the method of immediate recognition by which the Museum recognizes:

- in the statement of financial position, the obligations for defined benefits, reduced by the fair value of plan assets, and adjusted for any valuation allowance (either the asset or the accrued benefit obligation);
- in the statement of operations and changes in net assets, the cost of the plan for the year;
- in the statement of changes in net assets, revaluations and other items arising in particular from the difference between the actual return on plan assets and the return calculated using the discount rate determined, actuarial gains and losses, past services, settlement, compression and asset ceiling for defined benefit.

DEFERRED CONTRIBUTIONS

Contributions restricted to future period expenses are deferred and recognized as revenue in the year in which the related expenses are incurred.

Deferred contributions reported in the Capital Assets Fund include the unamortized portion of contributions received specifically to defray the cost of the related capital assets and are amortized on the same basis.

Deferred contributions of the Acquisitions Fund include grants, donations and investment income restricted to the financing of the acquisition of works of art that are not used at the statement of financial position date.

WORKS OF ART

The Museum's permanent collection comprises paintings, sculptures, drawings and prints, and decorative arts. The permanent collection is not reflected in the financial statements. Donated works of art are accounted for at fair value based on external appraisal reports. They are fully amortized in the year of acquisition.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into Canadian dollars. Monetary assets and liabilities of the statement of financial position are translated at the exchange rates in effect at the end of the year. Non-monetary assets and liabilities are translated at historical rates.

Revenue and expenses are translated at the average rate of exchange prevailing during the year. Gains and losses on these translations are recorded in the statement of operations and changes in net assets.

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.

4. GRANTS

	2016	2015
	\$	\$
		(restated note 2)
Operating grants		
Ministère de la Culture et des Communications	13,666,000	14,132,400
Conseil des arts de Montréal	370,000	370,000
	14,036,000	14,502,400
Grants for specific projects and acquisitions		
Ministère de la Culture et des Communications		
Repair and maintenance of capital assets	262,000	175,000
Digital projects	620,000	25,000
Canada Council for the Arts	149,000	145,000
Department of Canadian Heritage	249,665	500,000
BNP Paribas	27,900	43,412
	1,308,565	888,412
	15,344,565	15,390,812
Grants for expansion projects		
Ministère de la Culture et des Communications	613,895	801,935

5. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	25,397,717	—	25,397,717	25,397,717
Buildings	132,557,075	62,685,599	69,871,476	73,667,398
Building improvements	2,253,665	163,745	2,089,920	—
Furniture and equipment	2,457,055	1,616,520	840,535	310,810
Digital infrastructure	548,300	91,383	456,917	—
	163,213,812	64,557,247	98,656,565	99,375,925

6. BANK LOANS

For its current transactions, the Museum could enter into a bank loan based on its needs, up to a maximum of \$5,000,000, of which \$3,500,000 was not used at year-end (\$3,450,000 as at March 31, 2015). This loan is repayable on demand, bears interest at prime rate of 2.70% as at March 31, 2016 (2.85% as at March 31, 2015), and is renewable on an annual basis.

Several projects subsidized by the Ministère de la Culture et des Communications are currently under way as at March 31, 2016, the repairs and maintenance of capital assets project, the upgrading collections project and digital cultural strategy project obtained a total amount of \$3,750,000 (one project of \$500,000 as at March 31, 2015), with an unused balance of \$750,000 at year-end (nil as at March 31, 2015). These loans are subject to a short-term financing from a banking institution and bear interest at prime rate (effective rate of 2.7% as at March 31, 2016; 2.85% as at March 31, 2015).

For the construction of the new Michal and Renata Horstein Pavilion for Peace, the Museum has a line of credit of \$18,500,000 (\$18,500,000 as at March 31, 2015), from a banking institution, at a prime rate (effective rate of 2.70% as at March 31, 2016; 2.85% as at March 31, 2015), fully used at year-end (\$11,000,000 not used as at March 31, 2015).

7. DEBT

	2016	2015
	\$	\$
Debts funded by the Government of Quebec		
Loans from the Ministère des Finances and Financement-Québec		
Bearing interest at 6.334%, maturing October 2016 ^{a) g)}	1,720,000	3,440,000
Bearing interest at 4.501%, maturing July 2020 ^{b) g)}	268,817	322,580
Bearing interest at 4.700%, maturing December 2021 ^{c) g)}	322,581	376,344
Bearing interest at 4.864%, maturing December 2017 ^{d) g)}	161,128	241,692
Bearing interest at 2.486%, maturing December 2018 ^{e) g)}	7,982,081	9,312,428
Bearing interest at 2.486%, maturing December 2018 ^{e) g)}	3,848,040	4,489,380
Bearing interest at 2.238%, maturing December 2017 ^{e) g)}	167,504	251,256
Bearing interest at 2.238%, maturing December 2017 ^{e) g)}	167,504	251,256
Bearing interest at 1.868%, maturing November 2017 ^{f) g)}	401,808	602,712
Bearing interest at 2.873%, maturing July 2022 ^{f) g)}	1,626,171	1,858,482
	16,665,634	21,146,130
Bank loans		
Bearing interest at 3.770%, maturing December 2016 ^{g)}	159,061	312,291
Bearing interest at 5.410%, repaid during the year	—	22,500
	159,061	334,791
	16,824,695	21,480,921
Debt not funded		
Bearing interest at 5.000%, repaid during the year	—	5,000,000
	16,824,695	26,480,921
Current portion	4,639,557	4,656,226
	12,185,138	21,824,695

Principal payments required in subsequent years and the related grants are as follows:

	Debt repayment	Grants
	\$	\$
2017	4,639,557	4,639,557
2018	2,760,496	2,760,496
2019	8,226,584	8,226,584
2020	339,837	339,837
2021	339,837	339,837
2022 and thereafter	518,384	518,384
	16,824,695	16,824,695

- This debt is in relation to the Jean-Noël Desmarais Pavilion. On June 19, 1991, the Museum contracted a loan for \$43,000,000 from the Ministère des Finances du Québec as administrator of the fonds de financement, and this loan was used to reimburse the bankers' acceptances and accumulated interest under the special borrowing bylaw enacted on August 23, 1989.
- On October 7, 2005, the Museum contracted a \$806,451 loan from Financement-Québec as administrator of the fonds de financement, and this loan was used to fund the costs of the repairs and maintenance of capital assets, Phase I.
- On February 22, 2007, the Museum contracted a \$806,452 loan from Financement-Québec as administrator of the fonds de financement, and this loan was used to fund the costs of the repairs and maintenance of capital assets, Phase II.

- d) On October 31, 2007, the Museum contracted a \$805,639 loan from Financement-Québec as administrator of the fonds de financement, and this loan was used to fund the costs of the repairs and maintenance of capital assets, Phase III.
- e) On March 30, 2012, the Museum contracted four loans from Financement-Québec totalling \$20,723,917 as administrator of the fonds de financement and these loans were used to fund the cost of the construction of Bourgie Pavilion and to re-install the permanent collections of the Museum.
- f) On March 27, 2013, the Museum contracted two loans of \$3,325,597 from Financement-Québec as administrator of the fonds de financement. These loans were used to fund the costs of the repairs and maintenance of capital assets as well as to re-install the permanent collections of the Museum.
- g) In return of the loan, the Ministère de la Culture et des Communications has pledged a grant enabling the Museum to repay principal and interest according to schedule. The capital grant was recorded as a grant receivable.

8. DEFERRED CONTRIBUTIONS

The changes in the balance of deferred contributions related to capital assets for the years are as follows:

	2016	2015
	\$	\$
Balance, beginning of the year	67,406,402	69,492,497
Contributions received during the year	9,238,861	1,247,896
Amortization for the year	(3,481,916)	(3,333,991)
Balance, end of year	73,163,347	67,406,402

The changes in the balance of deferred contributions related to acquisitions of works of art are as follows:

	2016	2015
	\$	\$
Balance, beginning of the year	6,396,435	6,079,203
Amounts received during the year		(restated note 2)
Donations and sponsorships	23,052	144,205
Donations from the Foundation	459,679	409,441
Investment revenue	(256,384)	1,824,379
Grants for acquisitions	30,000	29,000
Amortization for the year	(1,448,345)	(2,089,793)
Balance, end of year	5,204,437	6,396,435

9. EMPLOYEE FUTURE BENEFITS

PENSION PLAN

The Museum has a defined benefit pension plan offered to non-unionized employees of the Museum. The benefits of this plan are based on years of service and final earnings. Management has decided that there would not be any new beneficiaries of this plan as at June 1, 2008. As of that date, new non-unionized employees of the Museum benefit from a new defined contribution plan, for which the costs and the amounts paid for the year are \$93,467 (\$60,117 in 2015).

The Museum measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation for funding purposes was performed as at December 31, 2014, and data has been extrapolated to March 31, 2016. The next required valuation will be performed as at December 31, 2015, and completed before September 30, 2016.

Information about the plan is as follows:

	2016	2015
	\$	\$
Accrued benefit obligations	14,217,100	13,523,500
Fair value of plan assets	13,558,400	12,749,700
Plan deficiency	658,700	773,800
Accrued benefit obligations recorded	658,700	773,800

Plan assets consist of:

	2016	2015
	%	%
Bonds	43.8	43.2
Annuity contract insured	20.6	22.3
Canadian shares	14.6	14.8
U.S. and international shares	17.8	16.8
Real estate	3.2	2.9
	100.0	100.0

Other information about the Museum's defined benefit pension plan is as follows:

	2016	2015
	\$	\$
Benefit costs	406,900	551,900
Cash payments recognized	680,500	723,000
Benefits paid by the plan	285,800	248,000

POST-EMPLOYMENT BENEFIT PLAN

The Museum has a post-employment benefit plan offered to all current retirees of the Museum. The benefits of this plan are based on years of service and final earnings. Management has decided that there would not be any new beneficiaries of this plan as at January 1, 2010.

The Museum measures its accrued benefit obligations for accounting purposes as at December 31 of each year. The most recent actuarial valuation for funding purposes was performed as at December 31, 2013, and data has been extrapolated to March 31, 2016.

Information about the plan is as follows:

	2016	2015
	\$	\$
Accrued benefit obligations	707,700	716,400
Accrued benefit obligations recorded	707,700	716,400

Other information about the Museum post-employment benefit plan is as follows:

	2016	2015
	\$	\$
Benefit costs	34,700	36,300
Cash payment recognized	43,000	86,500
Impact of the elimination of early measure	—	1,800

ASSUMPTIONS

The significant assumptions used by the Museum are as follows (weighted average):

	2016		2015	
	Pension plan	Post-employment benefit plan	Pension plan	Post-employment benefit plan
	%	%	%	%
Accrued benefit obligations as at March 31:				
Discount rate	5.00	5.00	5.00	5.00
Rate of compensation increase	3.50	—	3.50	—
Benefit costs for the year ended March 31:				
Discount rate	5.00	5.00	4.75	3.75
Expected long-term rate of return on plan assets	5.00	—	5.00	—
Rate of compensation increase	3.50	—	3.50	—

10. INVESTMENT INCOME RELATED TO ENDOWMENTS

The investment income on resources held for endowments are as follows:

	2016	2015
	\$	\$
Interest and dividends	459,520	459,722
Change in realized fair value of investments	217,487	1,032,933
Change in unrealized fair value of investments	(999,621)	835,093
	(322,614)	2,327,748

This investment income is presented as follows in the financial statements:

	2016		
	General Fund	Acquisitions Fund	Total
	\$	\$	\$
Investment income in the statement of operations and changes in net assets	(66,230)	—	(66,230)
Deferred contributions in the statement of financial position	—	(256,384)	(256,384)
	(66,230)	(256,384)	(322,614)

	2015		
	General Fund	Acquisitions Fund	Total
	\$	\$	\$
			(restated note 2)
Investment income in the statement of operations and changes in net assets	503,369	—	503,369
Deferred contributions in the statement of financial position	—	1,824,379	1,824,379
	503,369	1,824,379	2,327,748

11. COMMITMENTS

The Museum is currently building the new Michal and Renata Hornstein Pavilion for Peace of which the cost is estimated at an amount of \$24,973,850. As at March 31, 2016, the commitments related to the construction of this pavilion are \$363,128, payable during the following year.

12. RELATED ORGANIZATIONS AND TRANSACTIONS

THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

The Montreal Museum of Fine Arts Foundation (the "Foundation"), incorporated on March 24, 1994, under Part III of the *Companies Act* (Quebec), is a registered charity. The Foundation is mainly involved in soliciting and receiving donations, bequests and other contributions on behalf of the Museum and administering its funds. In addition, the Museum has entrusted the Foundation with the management of certain investments.

The Montreal Museum of Fine Arts Foundation is considered, for accounting purposes, as a related organization to the Museum since some members of the Foundation's Board of Trustees are also part of Museum's Board of Trustees, and that the Museum's holds an economic interest, given the nature of the Museum's activities.

The Foundation organizes and manages fundraising campaigns. From these campaigns, the Museum recorded donations totalling \$8,343,728 (\$5,128,419 in 2015), of which a portion of \$2,748,452 (\$2,861,486 in 2015) is presented in "Donations from the Foundation", \$1,740,620 (\$604,597 in 2015) is presented in "Donations and sponsorships", \$3,854,656 (\$1,657,336 in 2015) is presented in "Deferred contributions", and nil (\$5,000 in 2015) as endowment contribution. From all these donations, \$459,679 (\$409,441 in 2015) were for the acquisition of works of art, \$755,626 (\$998,446 in 2015) to support educational activities, \$2,065,826 (\$1,707,840 in 2015) for exhibitions, \$1,667,620 (\$764,797 in 2015) to support the Museum's day-to-day operations and for specific projects and \$3,394,977 (\$1,247,895 in 2015) for the realization of the Claire and Marc Bourgie Pavilion and the Michal and Renata Hornstein Pavilion for Peace.

VOLUNTEER ASSOCIATION OF THE MONTREAL MUSEUM OF FINE ARTS

The Volunteer Association of the Montreal Museum of Fine Arts (the "Association") is a registered charity incorporated under Part III of the *Companies Act* (Quebec). The purpose of the Association is to organize public fundraising events for the benefit of the Museum.

The Association made a nil donation (\$825,000 in 2015) to the Museum, which is presented in "Donations and sponsorships". As at March 31, 2016, an amount of nil (\$825,000 in 2015) is included in "Accounts receivable."

13. FINANCIAL INSTRUMENTS

The Museum holds and issues financial instruments such as investments, grants receivable and debt instruments.

The investments consist of:

	2016	2015
	\$	\$
Cash	246,629	376,941
Canadian bonds	4,477,089	5,122,473
International bonds	68,405	73,108
Canadian Equity Securities	7,450,302	7,873,312
U.S. and International Equity Securities	3,398,631	3,226,897
Canadian Bond Pooled Fund	—	302,347
Canadian Equity Pooled Fund	675,345	354,321
U.S. and International Equity Pooled Fund	95,900	104,781
	16,412,301	17,434,180

MARKET RISK

Market risk is the risk investments in mutual funds are exposed to that is caused by changes in interest rates, stock exchange indicators and the level of volatility of these rates.

CREDIT RISK

The Museum has determined that credit risk is minimal given that the counterparties with which it conducts business are mainly government agencies. However, the Museum holds investments in bonds. Therefore, there is a risk that the bond issuer will be unable to pay its obligations towards the Museum and this will have an impact on the Museum's assets.

INTEREST RATE RISK

In its investment portfolio, the Museum holds bonds and interests in bond mutual funds bearing interest at fixed rates. Consequently, a change in market interest rates will affect the fair value of the bonds and bond pooled funds.

Interest rate risk related to the debt is judged to be low, as the debt (including interest payments) is subsidized by the Government of Quebec.

CURRENCY RISK

In its investment portfolio, the Museum holds interests in U.S. and international securities and in mutual funds invested in U.S. and international securities. Consequently, a currency fluctuation will have an impact on the fair value of these investments. Also, accounts payable and accrued liabilities on the statement of financial position include an amount of \$63,890 (\$256,126 as at March 31, 2015), denominated in euros and an amount of \$8,513 (\$208,928 as at March 31, 2015), denominated in U.S. dollars, and cash include an amount of \$34,184 (\$74,228 as at March 31, 2015), denominated in U.S. dollars.

14. COLLECTION OF THE MUSEUM

In its mission to attract the widest possible range of visitors, the Museum has, over the last 155 years or so of its existence, assembled one of the most significant and eclectic collections in North America.

The collection includes mainly paintings, drawings and prints, photographs, sculptures, installations, jewellery, woodcraft, ceramics, furniture and precious metal artifacts.

The collection has a global reach and covers all historical eras, from Antiquity to the present day.

The value of the collection is not reflected in the financial statements. Acquisitions are accounted for as expenses in the Acquisitions Fund. Donated works of art are accounted for at fair value based on external appraisal reports. They are fully amortized in the year of acquisition (see Note 3).

Restoration costs during the year amounted to approximately \$672,692 (\$626,963 in 2015).

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MARCH 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Trustees of The Montreal Museum of Fine Arts Foundation

We have audited the financial statements of The Montreal Museum of Fine Arts Foundation, which comprise the statement of financial position as at March 31, 2016, 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 audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Montreal Museum of Fine Arts Foundation as at March 31, 2016, 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.

Debitte LLP¹

July 12, 2016

¹ CPA auditor, CA, public
accountancy permit No. A120628

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2016

	Restricted Funds							Total	
	General Fund	Pavilions' Fund	Desmarais and other Exhibition Fund	Jarislowsky Chair	Acquisition Fund	Educational Activities Fund	Total Restricted Funds	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Contributions	5,901,714	1,496,268	218,068	—	558,217	2,209,964	4,482,517	10,384,231	6,999,285
Interest and dividends	55,491	358,997	452,006	76,737	78,782	24,512	991,034	1,046,525	931,746
Change in realized fair value of investments	—	156,954	219,058	49,783	38,181	11,879	475,855	475,855	1,878,989
Change in unrealized fair value of investments	(86,429)	(773,398)	(997,061)	(79,685)	(173,782)	(54,070)	(2,077,996)	(2,164,425)	1,858,754
	5,870,776	1,238,821	(107,929)	46,835	501,398	2,192,285	3,871,410	9,742,186	11,668,774
Expenses									
Donations to the Museum	5,112,597	749,760	1,226,720	89,346	409,679	755,626	3,231,131	8,343,728	5,128,420
Investment management fees and safekeeping charges	7,448	86,876	112,968	17,679	19,697	6,129	243,349	250,797	193,767
Fundraising activities and administration	962,281	—	—	—	—	—	—	962,281	948,551
	6,082,326	836,636	1,339,688	107,025	429,376	761,755	3,474,480	9,556,806	6,270,738
Excess (deficiency) of revenue over expenses	(211,550)	402,185	(1,447,617)	(60,190)	72,022	1,430,530	396,930	185,380	5,398,036

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2016

	Restricted Funds									Total		
	General Fund	Pavilions' Fund with clause	Desmarais and Other Exhibition Fund		Jarislowsky Chair with clause	Acquisition Fund		Educational Activities Fund		Total Restricted Funds	2016	2015
			With clause	Without clause		With clause	Without clause	With clause	Without clause			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(1,703,950)	13,924,437	17,584,755	—	2,266,790	2,991,685	2,907,398	953,162	1,055,000	41,683,227	39,979,277	34,581,241
Excess (deficiency) of revenue over expenses	(211,550)	402,185	(1,492,685)	45,068	(60,190)	296,101	(224,079)	(69,970)	1,500,500	396,930	185,380	5,398,036
Net assets, end of year	(1,915,500)	14,326,622	16,092,070	45,068	2,206,600	3,287,786	2,683,319	883,192	2,555,500	42,080,157	40,164,657	39,979,277
* Consisting of:												
Endowments	—	—	—	—	2,000,000	—	—	—	—	2,000,000	2,000,000	2,000,000
Restricted, with clause	—	14,326,622	16,092,070	—	206,600	3,287,786	—	883,192	—	34,796,270	34,796,270	35,720,829
Restricted, without clause	—	—	—	45,068	—	—	2,683,319	—	2,555,500	5,283,887	5,283,887	3,962,398
Unrestricted	(1,915,500)	—	—	—	—	—	—	—	—	—	(1,915,500)	(1,703,950)
	(1,915,500)	14,326,622	16,092,070	45,068	2,206,600	3,287,786	2,683,319	883,192	2,555,500	42,080,157	40,164,657	39,979,277

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016

	Restricted Funds							Total	
	General Fund	Pavilions' Fund	Desmarais and Other Exhibition Fund	Jarislowsky Chair	Acquisition Fund	Educational Activities Fund	Total Restricted Funds	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash	3,060,170	—	—	—	—	—	—	3,060,170	1,159,653
Accounts receivable	377,191	—	—	—	—	—	—	377,191	72,325
Due from the Museum	—	—	—	—	2,840,201	—	2,840,201	2,840,201	2,840,201
Interfund balances	—	376,240*	20,017*	2,751*	1,542*	2,556,207*	2,956,757*	—	—
	3,437,361	376,240	20,017	2,751	2,841,743	2,556,207	5,796,958	6,277,562	4,072,179
Investments (note 3)	1,475,164	13,950,382	16,117,121	2,203,849	3,129,362	882,485	36,283,199	37,758,363	38,999,826
	4,912,525	14,326,622	16,137,138	2,206,600	5,971,105	3,438,692	42,080,157	44,035,925	43,072,005
Liabilities									
Current liabilities									
Due to the Museum	2,746,268	—	—	—	—	—	—	2,746,268	1,967,728
Interfund balances	2,956,757*	—	—	—	—	—	—	—	—
	5,703,025	—	—	—	—	—	—	2,746,268	1,967,728
Deferred contributions – restricted 10 years – Mécénat Placements Culture Program (note 5)	1,125,000	—	—	—	—	—	—	1,125,000	1,125,000
	6,828,025	—	—	—	—	—	—	3,871,268	3,092,728
Net assets									
Endowments	—	—	—	2,000,000	—	—	2,000,000	2,000,000	2,000,000
Restricted, with clause	—	14,326,622	16,092,070	206,600	3,287,786	883,192	34,796,270	34,796,270	35,720,829
Restricted, without clause	—	—	45,068	—	2,683,319	2,555,500	5,283,887	5,283,887	3,962,398
Unrestricted	(1,915,500)	—	—	—	—	—	—	(1,915,500)	(1,703,950)
	(1,915,500)	14,326,622	16,137,138	2,206,600	5,971,105	3,438,692	42,080,157	40,164,657	39,979,277
	4,912,525	14,326,622	16,137,138	2,206,600	5,971,105	3,438,692	42,080,157	44,035,925	43,072,005

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

Approved by the Board



Martin Thibodeau
President
Trustee



Michel de la Chenelière
Trustee

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses	185,380	5,398,036
Adjustments for:		
Change in realized fair value of investments	(475,855)	(1,878,989)
Change in unrealized fair value of investments	2,164,425	(1,858,754)
	1,873,950	1,660,293
Net change in non-cash operating working capital items		
Accounts receivable	(304,866)	(72,327)
Due to the Museum	778,540	(73,815)
	2,347,624	1,514,151
Investing activities		
Net change in investments	(447,107)	(2,264,009)
Financing activities		
Deferred contributions – restricted 10 years – Mécénat Placements Culture program	—	250,000
Increase (decrease) in cash	1,900,517	(499,858)
Cash, beginning of year	1,159,653	1,659,511
Cash, end of year	3,060,170	1,159,653

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

1. STATUS AND NATURE OF ACTIVITIES

The Montreal Museum of Fine Arts Foundation (the "Foundation") is incorporated as a not-for-profit organization under Part III of the *Companies Act* (Quebec). The Foundation is recognized as a registered charity and public foundation within the meaning of the *Income Tax Act*. The Foundation is involved mainly in soliciting and collecting donations, bequests and other contributions on behalf of the Montreal Museum of Fine Arts (the "Museum") and, in administering its funds. In addition, under Article 4 of the agreement between the Foundation and the Museum, the Museum has entrusted the Foundation with the administration of certain investments. These investments are excluded from the Foundation's financial statements.

2. 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:

RESTRICTED FUND ACCOUNTING

The Foundation follows the restricted fund method, whereby resources are classified into funds in accordance with specified activities or objectives.

I GENERAL FUND

The General Fund reports the assets and liabilities, revenue and expenses related to the Foundation's day-to-day operating activities as well as any other unrestricted fund item or restricted fund item, the materiality of which does not justify separate reporting.

II RESTRICTED FUNDS

Each restricted fund reports its assets and liabilities, revenue and expenses in accordance with its respective activities and purpose.

The funds report the allocation of restricted donations with a minimum ten-year conservation clause and those with no similar clause separately. These donations are recorded in the statement of operations in the fund corresponding to their restriction.

The Foundation contributes to funding the Museum's operations through the earnings on the investments in accordance with the objective of each fund.

FINANCIAL INSTRUMENTS

Financial assets and 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 statement of financial position date. Fair value fluctuations, which include interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses, are disclosed 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 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 decrease and the decrease can be related to an

event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in statement of operations in the period the reversal occurs.

REVENUE RECOGNITION

I DONATIONS AND BEQUESTS

Donations and bequests are recorded in the year they are received.

II CONTRIBUTED SERVICES

Volunteers contribute a significant amount of time each year to the Foundation and the Museum's resources and premises are made available to the Foundation. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

III INVESTMENT INCOME

Investment income is recognized as revenue when earned.

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. INVESTMENTS

	2016	2015
	\$	\$
Cash	530,097	787,994
Canadian bonds	9,622,907	10,708,527
U.S. and International bonds	147,025	152,832
Canadian Bond Pooled Fund	—	632,055
Canadian Equity Securities	16,013,429	16,459,154
U.S. and International Equity Securities	7,304,903	6,745,827
Canadian Equity Pooled Fund	1,451,565	740,708
International Equity Pooled Fund	206,124	219,047
Foundation of Greater Montreal Fund	2,482,313	2,553,682
	37,758,363	38,999,826

4. RELATED PARTY TRANSACTIONS

The following transactions are made in the normal course of operations and are recorded at the exchange amount.

THE MONTREAL MUSEUM OF FINE ARTS

The Montreal Museum of Fine Arts is considered, for accounting purposes, as a related organization to the Foundation since some members of the Museum's Board of Trustees are also part of the Foundation's Board of Trustees, and that the Museum holds an economic interest, given the nature of the Foundation's activities.

Donations from the Foundation to the Museum are presented separately in the statement of operations. The related transactions are also presented separately in the statement of financial position, if any.

VOLUNTEER ASSOCIATION OF THE MONTREAL MUSEUM OF FINE ARTS (THE "VOLUNTEER ASSOCIATION")

A donation of an amount of \$958,000 (nil in 2015) has been given by the Volunteer Association to the Foundation and is included in "Contributions" in the statement of operations.

As at March 31, 2016, the accounts receivable include an amount of \$350,000 receivable from the Volunteer Association (nil in 2015).

5. MÉCÉNAT PLACEMENTS CULTURE PROGRAM – CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC

The Foundation has participated four times in Mécénat Placements Culture Program of the Conseil des arts et des lettres du Québec (the "CALQ"). For this purpose, fund management agreements were entered into with the Foundation of Greater Montréal (the "FGM").

The following table shows the historical participation of the Foundation and the matching grants from the CALQ, as well as the accounting headings under which the amounts are presented in the financial statements.

Period	Foundation contribution	CALQ grant	
		Restricted funds 10 years	Restricted funds 2 years
	\$	\$	\$
Before October 1, 2013	500,000 ¹	375,000 ³	125,000 ⁴
After October 1, 2013	1,000,000 ²	250,000 ³	—
Total	1,500,000	625,000	125,000

1 From donations without external restriction presented under Deferred contributions – restricted 10 years – Mécénat Placements Culture Program.

2 From donations with external restriction, recognized in revenue of Pavillons' Fund.

3 Presented under Deferred contributions – restricted 10 years – Mécénat Placements Culture Program in the General Fund.

4 The two-year restriction period having elapsed, this amount was recognized as revenue.

Under component 1 of CALQ Mécénat Placements Culture Program, the Foundation has deposited in fiscal 2013-2014 an amount of \$500,000 from donations collected during fiscal 2013-2014 and an application for a matching grant has been made to the CALQ in fiscal 2014-2015.

Investment income is recognized annually under the headings related to investment income in the statement of operations. The following table presents the changes in investments.

	Contributions	Investment income	Withdrawals	Investment balance March 31, 2016	Investment balance March 31, 2015
	\$	\$	\$	\$	\$
Restricted funds 10 years	2,125,000	404,039	136,229	2,392,810	2,461,606
Restricted funds 2 years	125,000	27,002	62,500	89,502	92,076

NEW PARTICIPATION

Under component 1 of CALQ Mécénat Placements Culture Program, the Foundation has reserved in fiscal 2015-2016 an amount of \$500,000 from donations received in fiscal 2015-2016 and an application for a matching grant will be made to the CALQ in fiscal 2016-2017.

6. FINANCIAL INSTRUMENTS

Due to its financial assets, the Foundation is exposed to the following risks related to its use of financial instruments:

MARKET RISK

Market risk is the risk on which investments are exposed to that is caused by changes in interest rates, stock exchange indicators and the level of volatility of these rates.

CREDIT RISK

The credit risk is due to the fact that the Foundation owns bonds. Therefore, there is a risk that the bond issuer will be unable to pay its obligations towards the Foundation, and this would have an impact on the assets of the Foundation.

INTEREST RATE RISK

In its investment portfolio, the Foundation holds bonds and interests in bond mutual funds bearing interest at fixed rates. Consequently, a change in market interest rates will affect the fair value of the bonds and bond mutual funds.

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