

**2017|2018
ANNUAL
REPORT
MONTREAL
MUSEUM OF
FINE ARTS**



**MONTREAL
MUSEUM OF
FINE ARTS
FOUNDATION**

- **MANAGEMENT REPORT**
- **FINANCIAL STATEMENTS**

MANAGEMENT REPORT OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

FISCAL YEAR 2017-2018 | APRIL 1, 2017 TO MARCH 31, 2018

The financial statements cannot, in and of themselves, convey the complete picture of the Montreal Museum of Fine Arts (MMFA) Foundation's overall performance. As such, this management report, inspired by the guide published by CPA Canada, aims to facilitate a fuller understanding of the results and reflects the views of the management team. Its objectives are to:

- Report on the Foundation's overall performance, commitments and cash flows.
- Present the Foundation's context, issues and outlook.

Fiscal 2017-2018 was a pivotal year for the Foundation. In a context of managing change and growth, the team succeeded in achieving the ambitious 2017-2018 objectives set out in its five-year plan, thanks to the efficient development of all its activities, **all while maintaining a 6.6% administrative cost ratio.**¹

SUMMARY OF THE 2017-2018 PERFORMANCE

CONTRIBUTIONS PAID AND PLEDGES GENERATED: \$15,465,715

- Total cashed revenues from donations and sponsorships:² \$8,939,686
- Pledged donations and sponsorships generated in 2017-2018 (unpaid): \$4,272,200
- Investment income: \$2,253,829

DONATIONS AND SPONSORSHIPS: \$8,577,987

- **Donations remitted to the Museum: \$7,501,987**
→ A \$374,000 increase over fiscal 2016-2017
- **Sponsorships paid directly to the Museum: \$1,076,000**
→ Sponsorship revenues are solicited by the Foundation team but paid directly to the Museum. As such, they are included in the Museum's financial statements and are not taken into account in calculating the Foundation's administrative cost ratio.

MEMBERSHIP AND CUSTOMER SERVICE

- The activities of the Membership and Customer Service department are also managed by the Foundation.
Revenues: \$3,891,874
→ These revenues are not included in the Foundation's financial statements but in those of the MMFA, and are not taken into account in calculating the administrative cost ratio.

¹ The administrative cost ratio corresponds to the total administrative costs (\$552,539) divided by the total revenues reported in the financial statements, excluding investment and grant income (\$8,377,504).

² Total revenues from donations and sponsorships, including payments from pledges concluded in previous fiscal years.

1. OVERALL PERFORMANCE OF THE MUSEUM FOUNDATION

1.1 ANNUAL CAMPAIGNS

ANNUAL CAMPAIGN: \$742,028

- 5,514 single donations, including 3,597 from new donors
- \$678,156 in direct revenues and \$63,872 in revenues from donation boxes
- 28% increase in revenues

PHILANTHROPIC CIRCLES CAMPAIGN: \$1,164,533 (revenues net of expenses)

- Over 1,000 members, including:
 - 556 new members
 - 469 Young Philanthropists' Circle members
 - 280 Angel Circle members (an increase of more than 50%)
- 116% increase in revenues:

THE BALL CAMPAIGN AND OTHER FUNDRAISING EVENTS: \$1,545,398

- 27% increase in revenues
 - Museum Ball: \$1,424,000 (revenues net of expenses)
 - Other fundraising events: \$121,398 (revenues net of expenses)

1.2 SPONSORSHIPS³

Sponsorships of various Museum activities are also growing, with \$1,076,000 in total revenues, representing a 52% increase. In order to harmonize approaches and ensure greater returns, two members of the Foundation's team have been made responsible for soliciting sponsorships. Since revenues from sponsorships are paid directly to the MMFA, they are not included in the Foundation's financial statements.

**Total revenues from 2017-2018 annual campaigns and sponsorships:
\$4,527,959, a 49% increase**

1.3 REVENUES FROM THE 2008-2012 AND 2014-2019 MAJOR CAMPAIGNS

The 2008-2012 major campaign to support the realization of the Claire and Marc Bourgie Pavilion of Quebec and Canadian Art, and the 2014-2019 campaign in support of the Michal and Renata Hornstein Pavilion for Peace and the education and art therapy programs are nearing their end. Commitments spaced out over several years are therefore progressively concluding and, as such, the observed decline in these revenues, notably at \$2,580,404 in paid contributions, is as expected.

1.4 MONETARY DONATIONS FOR THE ACQUISITION OF WORKS

Working closely with the curatorial team and Museum management, the Foundation raised \$1,190,078 in monetary donations for the acquisition of works of art in fiscal 2017-2018. Since the MMFA must self-fund nearly 100% of its acquisitions, these donations are vitally important for the enrichment of its encyclopedic collection.

1.5 PLANNED GIFTS

One employee is now dedicated to developing planned giving (e.g. bequests, insurance policies, securities). The results are promising, with numerous confirmed promised gifts, including a major transaction involving a life insurance policy. This generous contract began during this fiscal period and is reflected in the financial statements by an initial payment of \$203,786. Other amounts received in 2017-2018 are included under major campaign revenues.

³ Revenues from sponsorships are not included in the Foundation's financial statements but in those of the MMFA.

1.6 OTHER CONTRIBUTIONS

Deferred contributions complete the revenues from major campaigns: a donation carried forward from the Mécénat Placements Culture program (\$250,000) and a grant from the Conseil des arts et des lettres du Québec (\$187,500).

Total contribution in donations and sponsorships: \$8,939,686

1.7 INVESTMENT INCOME

The Foundation's investment income in 2017-2018 was \$2,253,829, based on an average rate of return of 4.5% (for fiscal year ended March 31, 2018), compared with an average rate of 13.4% in 2016-2017, which considerably impacted our comparative overall results.

1.8 PLEDGES

The Museum Foundation team has redoubled its efforts to conclude agreements for major donations through multi-year commitments commonly referred to as "pledges." This strategy fosters longer-term relationships with major donors, so that we may forge lasting ties that will have a tangible and transformational impact on the Museum.

Pledges, donations and sponsorships promised to but uncashed by the Foundation in 2017-2018 total \$4,272,200. The pledges generated this year – in addition to those confirmed in previous years – involve the management of 113 major donor files (individuals, businesses and foundations) by the Foundation team.

2. CONTEXT, ISSUES AND OUTLOOK

Under the leadership of its Director General and Chief Curator, Nathalie Bondil, the MMFA is thriving and has become a true museum complex, with its 1.3 million visitors, five pavilions, an encyclopedic collection that is unrivalled in the country (numbering over 43,000 works), three major exhibitions and five to eight discovery exhibitions every year, more than 450 community partners, 300,000 participants in its educational and community activities and 114,000 VIP members, including the over 1,000 donor members of the Philanthropic Circles.

Going forward, the Museum Foundation must devise strategies for increasing revenues to support the four areas of excellence identified by the institution:

- enriching and preserving its collection
- presenting major exhibitions and discovery exhibitions
- developing and carrying out education and wellness activities
- broadening the MMFA's international reach

To meet the Museum's growing needs and achieve its ambitious objectives, the Foundation led a strategic planning exercise in 2016-2017 together with the MMFA. Various development avenues were identified, and the growth targets called for the following changes to the way work is organized:

- A person from the team was dedicated to planned gifts, donations of works, major donations and the Foundation's legal affairs.
- A person responsible for operations and support for major donations was hired.
- Two Foundation team members were assigned to soliciting sponsorships, while the resulting revenues are paid directly to the Museum.
- A telemarketing resource (Philanthropic Circles and other annual campaigns) joined the team.
- Two positions were added in administrative support and logistics.
- In response to the revamping of the MMFA's Association of Volunteer Guides, the positions involved in organizing the Ball were integrated into the Foundation team.

Management reviewed the Foundation's governance with its trustees to better reflect its evolution, growth and development. Changes were introduced to review its committees in order to optimize each member's contribution. Lastly, the next development project that promises to significantly enhance the Foundation's results will involve the deployment of more efficient technological tools.

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MARCH 31, 2018

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, 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 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, 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

July 10, 2018

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

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2018

	Restricted Funds							Total	
	General Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total Restricted Funds	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Contributions									
Major campaigns	1,350,285	178,461	—	—	1,190,078	1,505,444	2,873,983	4,224,268	6,210,462
Annual campaigns	2,007,425	—	228,500	—	—	—	228,500	2,235,925	1,596,328
Fundraising events	1,917,311	—	—	—	—	—	—	1,917,311	1,624,166
	5,275,021	178,461	228,500	—	1,190,078	1,505,444	3,102,483	8,377,504	9,430,956
Investments (note 4)	145,227	892,812	867,106	86,115	214,503	48,066	2,108,602	2,253,829	5,667,701
Grant (note 6)	187,500	—	—	—	—	—	—	187,500	—
	5,607,748	1,071,273	1,095,606	86,115	1,404,581	1,553,510	5,211,085	10,818,833	15,098,657
Expenses									
Campaigns	1,341,004	—	—	—	—	—	—	1,341,004	696,044
Fundraising events	523,260	—	—	—	—	—	—	523,260	494,458
Investment management fees and safekeeping charges	9,812	68,472	66,359	20,333	17,065	3,678	175,907	185,719	243,326
Administration fees	552,539	—	—	—	—	—	—	552,539	548,629
	2,426,615	68,472	66,359	20,333	17,065	3,678	175,907	2,602,522	1,982,457
Excess of revenue over expenses before donations to the Museum	3,181,133	1,002,801	1,029,247	65,782	1,387,516	1,549,832	5,035,178	8,216,311	13,116,200
Donations to the Museum	2,888,408	928,624	1,033,999	95,306	1,000,553	1,555,097	4,613,579	7,501,987	7,127,717
Excess (deficiency) of revenue over expenses	292,725	74,177	(4,752)	(29,524)	386,963	(5,265)	421,599	714,324	5,988,483

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2018

	Restricted Funds								Total			
	General Fund	Pavilions Fund with clause	Desmarais and Other Exhibitions Fund		Jarislowsky Chair with clause	Acquisitions Fund		Educational Activities Fund		Total Restricted Funds	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(2,241,011)	17,474,331	17,657,387	14,800	2,377,785	3,358,171	2,975,988	973,897	3,561,792	48,394,151	46,153,140	40,164,657
Excess (deficiency) of revenue over expenses	292,725	74,177	(24,952)	20,200	(29,524)	415,814	(28,851)	3,426	(8,691)	421,599	714,324	5,988,483
Net assets, end of year	(1,948,286)	17,548,508	17,632,435	35,000	2,348,261	3,773,985	2,947,137	977,323	3,553,101	48,815,750	46,867,464	46,153,140
Consisting of:												
Endowments	—	—	—	—	2,000,000	—	—	—	—	2,000,000	2,000,000	2,000,000
Restricted, with clause	—	17,548,508	17,632,435	—	348,261	3,773,985	—	977,323	—	40,280,512	40,280,512	39,841,571
Restricted, without clause	—	—	—	35,000	—	—	2,947,137	—	3,553,101	6,535,238	6,535,238	6,552,580
Unrestricted	(1,948,286)	—	—	—	—	—	—	—	—	—	(1,948,286)	(2,241,011)
	(1,948,286)	17,548,508	17,632,435	35,000	2,348,261	3,773,985	2,947,137	977,323	3,553,101	48,815,750	46,867,464	46,153,140

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

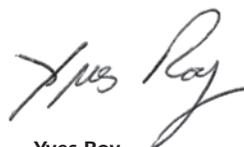
	Restricted Funds							Total	
	General Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total Restricted Funds	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash	3,716,194	—	—	—	—	—	—	3,716,194	3,203,106
Accounts receivable	11,680	—	—	—	—	—	—	11,680	43,211
Due from the Museum	—	—	—	—	1,800,075	—	1,800,075	1,800,075	2,840,201
Interfund balances	—	—	74,854*	—	4,221*	3,554,456*	3,633,531*	—	—
	3,727,874	—	74,854	—	1,804,296	3,554,456	5,433,606	5,527,949	6,086,518
Investments (note 3)	2,020,680	17,676,004	17,592,581	2,438,074	4,916,826	975,968	43,599,453	45,620,133	44,306,944
	5,748,554	17,676,004	17,667,435	2,438,074	6,721,122	4,530,424	49,033,059	51,148,082	50,393,462
Liabilities									
Current liabilities									
Due to the Museum	3,343,118	—	—	—	—	—	—	3,343,118	2,865,322
Interfund balances	3,416,222*	127,496*	—	89,813*	—	—	217,309*	—	—
	6,759,340	127,496	—	89,813	—	—	217,309	3,343,118	2,865,322
Deferred contributions – restricted 10 years – Mécénat Placements Culture program (note 6)	937,500	—	—	—	—	—	—	937,500	1,375,000
	7,696,840	127,496	—	89,813	—	—	217,309	4,280,618	4,240,322
Net assets									
Endowments	—	—	—	2,000,000	—	—	2,000,000	2,000,000	2,000,000
Restricted, with clause	—	17,548,508	17,632,435	348,261	3,773,985	977,323	40,280,512	40,280,512	39,841,571
Restricted, without clause	—	—	35,000	—	2,947,137	3,553,101	6,535,238	6,535,238	6,552,580
Unrestricted	(1,948,286)	—	—	—	—	—	—	(1,948,286)	(2,241,011)
	(1,948,286)	17,548,508	17,667,435	2,348,261	6,721,122	4,530,424	48,815,750	46,867,464	46,153,140
	5,748,554	17,676,004	17,667,435	2,438,074	6,721,122	4,530,424	49,033,059	51,148,082	50,393,462

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

Approved by the Board



Sylvie Demers
President
Trustee



Yves Roy
Chair of the Budget,
Audit and Allocation Committee
Trustee

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	714,324	5,988,483
Adjustments for:		
Change in realized fair value of investments	(1,451,112)	(1,287,745)
Change in unrealized fair value of investments	1,016,023	(3,327,387)
Grant and contributions recognized as revenue – Mécénat Placements Culture program	(437,500)	—
	(158,265)	1,373,351
Net change in non-cash operating working capital items		
Accounts receivable	31,531	333,980
Due from the Museum	1,040,126	—
Due to the Museum	477,796	119,054
	1,391,188	1,826,385
Investing activities		
Net change in investments	(878,100)	(1,933,449)
Financing activities		
Deferred contributions – restricted 10 years – Mécénat Placements Culture program	—	250,000
Net increase in cash	513,088	142,936
Cash, beginning of year	3,203,106	3,060,170
Cash, end of year	3,716,194	3,203,106

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

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, 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 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 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 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.

REVENUE RECOGNITION

I DONATIONS AND BEQUESTS

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

II INVESTMENT INCOME

Investment income is recognized as revenue when earned.

III 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.

IV EXPENSE SHARING

The Foundation classifies expenses on the statement of operations by function. Expenses related to each function include all direct costs related to this function, including salaries and other direct charges and a portion of shared and indirect costs. Salaries and fringe benefits are allocated proportionally on the basis of hours incurred directly in undertaking a function.

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 as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. INVESTMENTS

	2018	2017
	\$	\$
Cash	257,860	804,607
Canadian bonds	6,278,343	9,612,639
U.S. and international bonds	50,666	96,386
Canadian equity securities	20,056,245	20,115,657
U.S. and international equity securities	8,667,720	8,087,203
Canadian Equity Pooled Fund	6,247,974	2,061,761
International Equity Pooled Fund	370,352	—
Foundation of Greater Montreal Fund	3,690,973	3,528,691
	45,620,133	44,306,944

4. INVESTMENT INCOME

The investment income is as follows:

	2018	2017
	\$	\$
Interest and dividends	1,818,740	1,052,569
Change in realized fair value of investments	1,451,112	1,287,745
Change in unrealized fair value of investments	(1,016,023)	3,327,387
	2,253,829	5,667,701

5. RELATED PARTY TRANSACTIONS

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 Directors 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.

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

6. MÉCÉNAT PLACEMENTS CULTURE PROGRAM

CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC AND MINISTÈRE DE LA CULTURE ET DES COMMUNICATIONS

The Foundation has participated five times in the Mécénat Placements Culture program of the Conseil des arts et des lettres du Québec (CALQ) and the Ministère de la Culture et des Communications (MCC). For this purpose, fund management agreements were entered into with the Foundation of Greater Montreal (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/MCC grant	
		Restricted funds 10 years	Restricted funds 2 years
	\$	\$	\$
Before October 1, 2013	500,000 ¹	375,000 ³	125,000 ⁵
After October 1, 2013	1,500,000 ²	500,000 ⁴	—
	2,000,000	875,000	125,000

1 From donations without external restriction, including \$250,000 presented under *Deferred contributions – restricted 10 years – Mécénat Placements Culture program* and \$250,000 recognized as a contribution revenue included in the net assets of the General Fund, the ten-year restriction period having elapsed.

2 From donations with external restriction, recognized in revenue and added to permanent capital of the Pavilions Fund.

3 \$187,500 presented under *Deferred contributions – restricted 10 years – Mécénat Placements Culture program in the General Fund* and \$187,500 recognized as a grant revenue included in the net assets of the General Fund, the ten-year restriction period having elapsed.

4 Presented under *Deferred contributions – restricted 10 years – Mécénat Placements Culture program in the General Fund*.

5 The two-year restriction period having elapsed, this amount was recognized as a grant revenue and is included in the net assets of the General Fund.

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.

Account				Investment balance	Investment balance
	Contributions	Investment income	Withdrawals	March 31, 2018	March 31, 2017
	\$	\$	\$	\$	\$
Restricted funds 2 years	125,000	43,485	62,500	105,985	99,896
Restricted funds 10 years	2,875,000	896,618	186,630	3,584,988	3,428,795

7. 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 to which investments are exposed 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 pooled 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.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

