

**2019|2020
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 2019-2020 | APRIL 1, 2019, TO MARCH 31, 2020

Year after year, the Montreal Museum of Fine Arts Foundation (the “Foundation”) lends its discipline, creativity and hard work in service of the Montreal Museum of Fine Arts (the “Museum” or the “MMFA”) in order to achieve the best possible results for the following four priorities:

- Present the Museum’s major exhibitions and its programming as a whole.
- Enrich and preserve its encyclopaedic collection of nearly 45,000 works of art.
- Maintain and develop education and health and wellness activities (“museum therapy”).
- Provide access to art to everyone, carry out special projects, and achieve national and international visibility for the Museum and for Montreal.

During fiscal 2019-2020, the MMFA Foundation developed and consolidated its human resources and operational and governance processes. Following three years of sustained growth, the team supported its employees in their professional development and hired three new people dedicated to increasing median, major and planned donations. The Foundation nevertheless was not immune to the challenges of human resource retention and recruitment experienced citywide in the period of full employment preceding the pandemic. Consequently, the Foundation’s management undertook to clarify and improve internal processes, notably by setting out clear rules. Along with the members of the Foundation’s Governance, Ethics and Human Resources Committee, the management team worked on updating the following governance policies: the donation and sponsorship recognition, allocation and acceptance policy; the code of ethics for trustees; and a code of ethics for employees.

During winter 2020, financial market fluctuations significantly impacted the MMFA Foundation’s investment income recorded as at March 31, 2020. Fortunately, its fiscal year ended with a 5% increase in overall paid contributions from donations and sponsorships. This performance was made possible thanks to a rise in its annual recurring revenues, notably attributable to the record proceeds from the Museum Ball campaign and other fundraising events, and a significant sponsorship of the production of a major exhibition. An astounding 151% jump in donation revenues for the 2019-2024 Major Gifts campaign to support the Museum’s special projects and day-to-day activities also deserves mention.

The Foundation reported an administrative cost ratio of 7% for the fiscal year ending March 31, 2020.

This ratio has been stable over the past three years and compares favourably with similar NPOs.¹

Because the financial statements do not, on their own, offer a complete picture of the Montreal Museum of Fine Arts (MMFA) Foundation’s overall performance, we decided to publish a management report; now in its third consecutive year. Inspired by the CPA Canada Handbook, it aims to facilitate a fuller understanding of the results. This report reflects the views of the management team, and its objectives are to:

1. Report on the Foundation’s overall performance, commitments and cash flows.
2. Present the Foundation’s context, issues and outlook.

¹ The administrative cost ratio corresponds to the total administrative costs (\$626,780) divided by the total revenues reported in the financial statements, excluding investment and grant income (\$8,997,198).

SUMMARY OF THE 2019-2020 PERFORMANCE

PAID CONTRIBUTIONS, PLEDGES GENERATED AND INVESTMENT INCOME: \$8,019,520

- Total cashed revenues from donations and sponsorships:² \$9,273,252
- Pledged donations and sponsorships generated in 2019-2020 (unpaid): \$1,454,250
- Investment income: (\$2,895,482)
- Grant: \$187,500
- Administrative cost ratio: 7%

DONATIONS AND SPONSORSHIPS: \$8,757,244

- **Donations remitted to the Museum: \$6,922,840**
 - We saw a decrease of \$1,705,222 over fiscal 2018-2019, due mainly to the COVID-19 pandemic and the financial market fall in March 2020, which led to temporarily recorded losses on investments.
- **Sponsorships paid directly to the Museum: \$1,834,404**
 - 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 administrative cost ratio.

MEMBERSHIP AND CUSTOMER SERVICE

- The activities of the Membership and Customer Service department are also managed by the Foundation.
Revenues: \$3,656,439
 - 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. OVERALL PERFORMANCE OF THE MUSEUM FOUNDATION

1.1 ANNUAL CAMPAIGNS

ANNUAL FUNDRAISING CAMPAIGN: \$1,208,427

- The annual campaign had 5,586 single donors and, based on donations of \$20 or more, the **average donation reached a record \$159**.
- Two avenues are showing great promise in our development of this campaign: the pursuit and fine-tuning of our digital fundraising and impact demonstration strategy; and the new practice of systematically soliciting donations at each Museum transaction.

PHILANTHROPIC CIRCLES CAMPAIGN: \$1,008,602 (revenues net of direct expenses)

- Circle community membership was maintained at nearly 1,000, including:
 - 454 Young Philanthropists' Circle members
 - 283 Angel Circle members
- Loyalty remains the main challenge of this campaign. As such, multi-year commitment strategies have been launched to maintain revenues and foster new donors.

THE MUSEUM BALL CAMPAIGN AND OTHER FUNDRAISERS: \$1,590,100 (revenues net of direct and indirect expenses)

- At the end of the fiscal year, this long-standing fundraising campaign for the MMFA Foundation and the Museum posted a 16% increase over the previous year and broke new records in terms of net proceeds and number of guests.

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

1.2 SPONSORSHIPS³

The Foundation team generated sponsorship revenues for the MMFA totalling \$1,834,404. It is difficult to compare sponsorship revenues from one year to the next, as annual objectives are set in relation to programming (chiefly the major exhibitions), projected attendance and the Museum's financial needs. In addition, there is a discrepancy with the MMFA's financial statements, because sponsorship revenues are recorded by the Museum over the duration of exhibitions, which frequently overlap fiscal years.

Finally, it should be noted that, to ensure consistency of approach and greater returns, two members of the Foundation team were made responsible for soliciting sponsorships. Since sponsorship revenues are paid directly to the Museum, they are not included in the Foundation's financial statements; however, the salaries of staff members who solicit sponsorships are recorded in the Foundation's operating budget.

SPONSORSHIPS | EXCEPTIONAL CONTRIBUTION: \$1,000,000

- Out of the \$1,834,404, a major donation of \$1 million was made anonymously for one of the Museum's major exhibitions. This contribution was strictly earmarked to produce this exhibition and was recorded under Annual campaigns. It had a considerable impact on results.

Total revenues from the 2019-2020 annual campaigns and sponsorships: \$5,641,533.

1.3 REVENUES FROM MAJOR CAMPAIGNS

The 2008-2012 major campaign (to support the Claire and Marc Bourgie Pavilion of Quebec and Canadian Art) and the 2014-2019 campaign (for the Michal and Renata Hornstein Pavilion for Peace and the Museum's education and art therapy programs) are nearing their end. Multi-year commitments are gradually being concluded. Contributions paid from these two major campaigns during fiscal 2019-2020 amounted to \$1,327,144.

Although the Foundation did not carry out a major campaign between April 1, 2019, and March 31, 2020, major donations continued to be actively solicited in order to support the Museum's priority projects and meet needs related to its day-to-day activities. To this end, major gifts totalling \$1,588,345 were made in 2019-2020 under the 2019-2024 Major Gifts campaign to support the Museum's special projects and day-to-day activities, a 151% increase from fiscal 2018-2019.

Contributions paid from major campaigns for the 2019-2020 fiscal year: \$2,915,488.

1.4 MONETARY DONATIONS FOR THE ACQUISITION OF ARTWORKS

Working closely with the curatorial team and Museum management, the Foundation raised \$716,230 in monetary donations for the acquisition of works of art in fiscal 2019-2020. **Since the MMFA must self-fund nearly 100% of its acquisitions,** these donations are vitally important for the enrichment of its encyclopaedic collection.

In addition to this amount, \$215,146 in donations was raised for the second edition of Bruce Bailey's Fête Champêtre, which will take place at a later date according to how the COVID-19 pandemic evolves. Under Quebec tax law, revenues for this activity cannot be recorded before it takes place even though all donors agreed to dedicate the donated funds to the Museum's day-to-day activities to help see it through this unprecedented global crisis.

1.5 PLANNED GIFTS

One Foundation employee is partially dedicated to the development of planned giving options (e.g. bequests, insurance policies, securities). This is an area we are continuing to pursue with encouraging results: another ten or so confirmed pledges this year, totalling \$290,000.

³ Part of the revenues from sponsorships is not included in the Foundation's financial statements but in those of the MMFA.

A significant donation in the form of a life insurance policy concluded during fiscal 2017-2018 is reflected in the financial statements in the Annual campaigns line by a second payment of \$103,768. The other planned giving amounts paid in 2019-2020 are also included in major campaign revenues.

1.6 OTHER CONTRIBUTIONS

The recognition of deferred contributions from previous years, namely a deferred donation of the Mécénat Placements Culture program of \$250,000, completes annual recurring revenues. These revenues were recorded under Annual campaigns.

**Contribution levels in paid donations and sponsorships rose by 5%
over the previous year, totalling \$9,273,252.**

1.7 INVESTMENT INCOME

In winter 2020, the world was hit by the COVID-19 pandemic, an unprecedented global crisis that caused a temporary fall in the stock markets. The Foundation's investment income recorded at March 31, 2020, was -\$2,895,482, for an average rate of return of -6.5% (fiscal year ending March 31, 2020), compared with an average rate of 6% for fiscal 2018-2019. This drop had a drastic impact on the overall comparative results.

EXCEPTIONAL CONTRIBUTION | GRANT: \$187,500

A grant from the Conseil des arts et des lettres du Québec of \$187,500 was paid during the fiscal year and is recorded as revenue on the financial statements.

1.8 PLEDGES

The Museum Foundation team is redoubling its efforts to conclude agreements for major donations through multi-year commitments commonly referred to as "pledges." This strategy fosters lasting ties with major donors, which lead to tangible, and transformational benefits for the Museum.

Pledges, donations and sponsorships promised to but uncashed by the Foundation in 2019-2020 total \$1,454,250. The pledges generated this year – in addition to those confirmed in previous years – involved the management of over 100 files of major donors (individuals, businesses and foundations) by the Foundation team. Of these pledge files, twenty (20) were confirmed in fiscal 2019-2020, namely:

- One (1) donation of over \$1 million
- One (1) donation of between \$250,000 and \$500,000
- Four (4) donations of between \$100,000 and \$249,000
- Fourteen (14) donations of under \$100,000

It is important to note that two (2) pledges currently being negotiated have been put on hold for several months owing to the global context. The year 2020-2021 is shaping up to be a complex one, but the MMFA Foundation will continue to spare no effort in supporting the Museum to its fullest potential.

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MARCH 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Trustees of The Montreal Museum of Fine Arts Foundation

OPINION

We have audited the financial statements of The Montreal Museum of Fine Arts Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets 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 Foundation as at March 31, 2020, 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 Foundation 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 audit opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Management Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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*¹

September 28, 2020

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

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2020

	Restricted Funds							Total	
	General Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total Restricted Funds	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Contributions									
Major campaigns	1,445,646	—	—	—	716,230	1,469,843	2,186,073	3,631,719	4,600,758
Annual campaigns	2,217,029	—	1,024,909	—	—	—	1,024,909	3,241,938	2,351,916
Fundraising events	2,123,541	—	—	—	—	—	—	2,123,541	1,889,130
	5,786,216	—	1,024,909	—	716,230	1,469,843	3,210,982	8,997,198	8,841,804
Investments (note 4)	(94,319)	(1,088,686)	(1,019,589)	(189,114)	(438,373)	(65,399)	(2,801,161)	(2,895,480)	3,197,124
Grant (note 6)	187,500	—	—	—	—	—	—	187,500	—
	5,879,397	(1,088,686)	5,320	(189,114)	277,857	1,404,444	409,821	6,289,218	12,038,928
Expenses									
Campaigns	1,286,015	—	—	—	—	—	—	1,286,015	1,481,506
Fundraising events	533,440	—	—	—	—	—	—	533,440	521,273
Investment management fees and safekeeping charges	13,575	103,015	96,416	27,553	40,329	5,879	273,192	286,767	264,578
Administration fees	626,780	—	—	—	—	—	—	626,780	562,067
	2,459,810	103,015	96,416	27,553	40,329	5,879	273,192	2,733,002	2,829,424
Excess (deficiency) of revenue over expenses before donations to the Museum	3,419,587	(1,191,701)	(91,096)	(216,667)	237,528	1,398,565	136,629	3,556,216	9,209,504
Donations to the Museum	2,416,385	1,058,940	976,739	130,345	1,230,791	1,109,640	4,506,455	6,922,840	8,628,061
(Deficiency) excess of revenue over expenses	1,003,202	(2,250,641)	(1,067,835)	(347,012)	(993,263)	288,925	(4,369,826)	(3,366,624)	581,443

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	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	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(2,002,175)	17,565,749	17,664,102	—	2,420,178	3,962,719	2,967,419	990,572	3,880,343	49,451,082	47,448,907	46,867,464
(Deficiency) excess of revenue over expenses	1,003,202	(2,250,641)	(2,076,835)	1,009,000	(347,012)	(621,574)	(371,689)	(120,135)	409,060	(4,369,826)	(3,366,624)	581,443
Interfund transfers	—	—	(1,618,151)	—	1,618,151	—	—	—	—	—	—	—
Net assets, end of year	(998,973)	15,315,108	13,969,116	1,009,000	3,691,317	3,341,145	2,595,730	870,437	4,289,403	45,081,256	44,082,283	47,448,907
Consisting of												
Endowments	—	—	—	—	2,000,000	—	—	—	—	2,000,000	2,000,000	2,000,000
Restricted, with clause	—	15,315,108	13,969,116	—	1,691,317	3,341,145	—	870,437	—	35,187,123	35,187,123	40,603,320
Restricted, without clause	—	—	—	1,009,000	—	—	2,595,730	—	4,289,403	7,894,133	7,894,133	6,847,762
Internally restricted	500,000	—	—	—	—	—	—	—	—	—	500,000	—
Unrestricted	(1,498,973)	—	—	—	—	—	—	—	—	—	(1,498,973)	(2,002,175)
	(998,973)	15,315,108	13,969,116	1,009,000	3,691,317	3,341,145	2,595,730	870,437	4,289,403	45,081,256	44,082,283	47,448,907

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Restricted Funds							Total	
	General Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total Restricted Funds	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash	781,611	—	—	—	—	—	—	781,611	4,488,586
Accounts receivable	11,857	10,752	11,291	2,828	4,265	664	29,800	41,657	17,666
Amounts due from the Museum	808,461	—	—	—	—	—	—	808,461	—
Interfund balances	—	—	722,048*	—	—	4,268,247*	4,990,295*	—	—
	1,601,929	10,752	733,339	2,828	4,265	4,268,911	5,020,095	1,631,729	4,506,252
Investments (note 3)	2,748,077	15,566,381	14,254,777	3,812,886	6,155,186	890,929	40,680,159	43,428,236	48,927,839
	4,350,006	15,577,133	14,988,116	3,815,714	6,159,451	5,159,840	45,700,254	45,059,965	53,434,091
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	2,411	—	10,000	—	125	—	10,125	12,536	15,351
Deferred revenue	215,146	—	—	—	—	—	—	215,146	84,850
Amounts due to the Museum	—	—	—	—	—	—	—	—	4,697,483
Interfund balances	4,381,422*	262,025*	—	124,397*	222,451*	—	608,873*	—	—
	4,598,979	262,025	10,000	124,397	222,576	—	618,998	227,682	4,797,684
Deferred contributions – restricted 10 years – Mécénat Placements Culture program (note 6)	750,000	—	—	—	—	—	—	750,000	1,187,500
	5,348,979	262,025	10,000	124,397	222,576	—	618,998	977,682	5,985,184
Net assets									
Endowments	—	—	—	2,000,000	—	—	2,000,000	2,000,000	2,000,000
Restricted, with clause	—	15,315,108	13,969,116	1,691,317	3,341,145	870,437	35,187,123	35,187,123	40,603,320
Restricted, without clause	—	—	1,009,000	—	2,595,730	4,289,403	7,894,133	7,894,133	6,847,762
Internally restricted (note 7)	500,000	—	—	—	—	—	—	500,000	—
Unrestricted	(1,498,973)	—	—	—	—	—	—	(1,498,973)	(2,002,175)
	(998,973)	15,315,108	14,978,116	3,691,317	5,936,875	5,159,840	45,081,256	44,082,283	47,448,907
	4,350,006	15,577,133	14,988,116	3,815,714	6,159,451	5,159,840	45,700,254	45,059,965	53,434,091

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

Approved by the Board



Sylvie Demers
President
Trustee



Henry Mizrahi
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, 2020

	2020	2019
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(3,366,624)	581,443
Adjustments for		
Change in realized fair value of investments	(1,014,824)	(865,641)
Change in unrealized fair value of investments	5,439,312	(896,440)
Grant and contributions recognized as revenue – Mécénat Placements Culture program	(437,500)	—
	620,364	(1,180,638)
Net change in non-cash operating working capital items		
Accounts receivable	(23,991)	(5,986)
Amounts due from the Museum	(808,461)	1,800,075
Accounts payable and accrued liabilities	(2,815)	15,351
Deferred revenue	130,296	84,850
Amounts due to the Museum	(4,697,483)	1,354,365
	(4,782,090)	2,068,017
Investing activities		
Net change in investments	1,075,115	(1,545,625)
Financing activities		
Deferred contributions – restricted 10 years – Mécénat Placements Culture program	—	250,000
Net (decrease) increase in cash	(3,706,975)	772,392
Cash, beginning of year	4,488,586	3,716,194
Cash, end of year	781,611	4,488,586

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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. 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, with the exception of the amounts due from the Museum. 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 CONTRIBUTIONS

Donations and bequests are recorded in the year they are received. Revenue from fundraising events are recorded in the year during which the event takes place.

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.

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

	2020	2019
	\$	\$
Cash	1,199,294	736,135
Canadian bonds	9,659,770	10,725,940
U.S. and international bonds	—	50,601
Canadian equity securities	14,278,570	18,122,990
U.S. and international equity securities	6,317,644	8,535,628
Canadian Equity Pooled Fund	6,616,733	6,319,283
International Equity Pooled Fund	1,713,999	346,869
Foundation of Greater Montreal Fund	3,642,226	4,090,393
	43,428,236	48,927,839

4. INVESTMENT INCOME

The investment income is as follows:

	2020	2019
	\$	\$
Interest and dividends	1,529,008	1,435,043
Change in realized fair value of investments	1,014,824	865,641
Change in unrealized fair value of investments	(5,439,312)	896,440
	(2,895,480)	3,197,124

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 Trustees are also part of the Foundation's Board of Trustees, and that the Museum holds an economic interest in the Foundation, 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.

During the year, the Museum charged administrative fees of \$150,000 (\$150,000 in 2019) to the Foundation. These administrative fees are presented in *Administration fees* of the statement of operations.

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

6. MÉCÉNAT PLACEMENTS CULTURE PROGRAM

The Foundation has participated five times in the Mécénat Placements Culture program of 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 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	750,000 ⁴	—
Total	2,000,000	1,125,000	125,000

1 From donations without external restriction, including \$250,000 recognized in revenue during the year ended March 31, 2020, and \$250,000 previously 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, previously recognized in revenue and added to permanent capital of the Pavilions Fund.

3 \$187,500 was recognized as grant revenue during the year ended March 31, 2020, and \$187,500 was previously recognized as 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 previously 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	Contributions	Investment income	Withdrawals	2020	2019
	\$	\$	\$	\$	\$
Restricted funds 2 years	125,000	42,648	(62,500)	105,148	110,134
Restricted funds 10 years	3,125,000	873,107	(461,029)	3,537,078	3,980,259

7. MCC DONATION-MATCHING PROGRAM

The Foundation participates in the MCC's donation-matching program to receive endowments in the form of matching grants (MCC matching Fund). In order to meet the program criteria, the Foundation has decided to allocate an amount of \$500,000 in connection with this program. This amount must be maintained at all times.

The following table shows the historical participation of the Foundation and the matching grants received from the MCC.

Period	Foundation contribution	MCC grant
		\$
Fiscal year 2018-2019	250,000 ¹	—
Fiscal year 2019-2020	250,000 ²	—
	500,000	—

1 The Foundation submitted a matching grant request during the 2019-2020 fiscal year.

2 The Foundation will submit a matching grant request during the 2020-2021 fiscal year.

Investment income is recognized annually under investment income in the Statement of operations. The following table presents the changes in investments:

	Contributions	Investment income	Payment to the Museum	2020	2019
	\$	\$	\$	\$	\$
	500,000	—	—	500,000	—

8. 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.

