

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



**FINANCIAL
STATEMENTS OF
THE MONTREAL
MUSEUM OF
FINE ARTS**

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS

MARCH 31, 2018

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, 2018, 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, 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 LLP

June 26, 2018

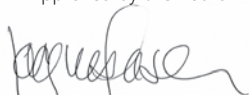
1 CPA auditor, CA, public
accountancy permit No. A120628

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

	General Fund	Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
					2018	2017
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash and term deposits	2,274,475	25,663	—	—	2,300,138	3,380,183
Accounts receivable	2,091,123	32,487	—	—	2,123,610	1,084,242
Interfund balances	(175,480)	(1,007,336)	1,282,816	(100,000)	—	—
Amount receivable from the Foundation, non-interest bearing and without specific terms of repayment	3,343,118	—	—	—	3,343,118	2,865,322
Grants receivable	565,983	10,179,461	—	—	10,745,444	5,413,152
Inventories of the Boutique and Bookstore	857,745	—	—	—	857,745	910,875
Prepaid expenses	2,232,341	—	—	—	2,232,341	1,777,187
	11,189,305	9,230,275	1,282,816	(100,000)	21,602,396	15,430,961
Grants receivable	2,190,875	17,104,560	—	—	19,295,435	27,994,792
Investments (note 12)	3,774,137	—	14,223,626	—	17,997,763	18,021,357
Capital assets (note 4)	—	120,864,999	—	—	120,864,999	123,933,472
	17,154,317	147,199,834	15,506,442	(100,000)	179,760,593	185,380,582
Liabilities						
Current liabilities						
Bank loans (note 5)	3,840,000	4,350,000	—	—	8,190,000	5,025,000
Accrued interest	15,931	91,348	—	—	107,279	131,774
Accounts payable and accrued liabilities	3,789,908	21,151	—	—	3,811,059	3,863,549
Deferred revenue	3,578,367	—	—	—	3,578,367	5,334,973
Deferred contributions	15,000	—	—	—	15,000	23,357
Advance from the Foundation, non-interest bearing and without specific terms of repayment	1,800,075	—	—	—	1,800,075	2,840,201
Current portion of debt (note 6)	470,230	10,088,113	—	—	10,558,343	4,803,320
	13,509,511	14,550,612	—	—	28,060,123	22,022,174
Debt (note 6)	2,190,875	14,794,619	—	—	16,985,494	25,847,298
Deferred contributions (note 7)	—	91,146,060	7,166,238	—	98,312,298	100,766,758
Accrued benefit obligations – pension plan (note 8)	—	—	—	369,300	369,300	345,100
Accrued benefit obligations – post-employment benefits (note 8)	—	—	—	814,300	814,300	816,000
	15,700,386	120,491,291	7,166,238	1,183,600	144,541,515	149,797,330
Commitments (note 10)						
Net assets						
Endowments	1,278,987	—	8,340,204	—	9,619,191	9,592,753
Invested in capital assets	—	25,397,717	—	—	25,397,717	25,397,717
Internally restricted	2,512,453	1,310,826	—	—	3,823,279	3,709,752
Revaluation and other items recognized related to the defined benefit plans	—	—	—	1,906,200	1,906,200	2,147,800
Unrestricted	(2,337,509)	—	—	(3,189,800)	(5,527,309)	(5,264,770)
	1,453,931	26,708,543	8,340,204	(1,283,600)	35,219,078	35,583,252
	17,154,317	147,199,834	15,506,442	(100,000)	179,760,593	185,380,582

Approved by the Board



Jacques Parisien
Chairman of the Board
Trustee



Michel de la Chenelière
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, 2018

	General Fund		Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
	Operations	Restrictions				2018	2017
	75	\$	\$	\$	\$	\$	\$
Revenue							
General							
Admissions and special events	6,003,892	—	—	—	—	6,003,892	5,284,842
Boutique and Bookstore	2,872,003	—	—	—	—	2,872,003	2,603,858
Donations of works of art	—	—	—	14,626,203	—	14,626,203	9,893,219
Donations and sponsorships (note 11)	2,231,071	—	—	—	—	2,231,071	2,606,876
Donations from the Foundation (note 11)	4,553,327	—	—	—	—	4,553,327	3,374,710
Exhibition catalogues	403,074	—	—	—	—	403,074	296,200
Annual memberships	3,891,874	—	—	—	—	3,891,874	3,565,657
Exhibition participation	1,841,123	—	—	—	—	1,841,123	1,053,233
Investments (note 9)	11,213	185,606	—	—	—	196,819	533,718
Rental income	368,807	—	—	—	—	368,807	339,542
Miscellaneous (note 11)	725,297	—	—	—	—	725,297	1,145,461
	22,901,681	185,606	—	14,626,203	—	37,713,490	30,697,316
Operating and specific projects grants (note 3)	16,242,663	—	—	—	—	16,242,663	16,052,263
Grants – expansion projects (note 3)	92,856	—	575,467	—	—	668,323	644,413
Amortization of deferred contributions related to capital assets (note 7)	—	—	4,754,941	—	—	4,754,941	4,070,681
Amortization of deferred contributions related to acquisitions of works of art (note 7)	—	—	—	1,807,090	—	1,807,090	976,142
	39,237,200	185,606	5,330,408	16,433,293	—	61,186,507	52,440,815
Expenses							
Temporary exhibitions	8,747,013	—	—	—	—	8,747,013	5,306,042
Permanent collection	2,892,949	—	—	—	—	2,892,949	2,510,948
Security and maintenance	5,783,354	—	—	—	—	5,783,354	5,418,147
Administrative expenses	4,778,410	—	—	—	378,400	5,156,810	6,144,206
Educational programs	2,517,514	—	—	—	—	2,517,514	1,897,279
Boutique and Bookstore	2,612,230	—	—	—	—	2,612,230	2,407,691
Curatorial services	5,383,235	—	—	146,980	—	5,530,215	5,314,454
Communications	5,746,842	—	—	—	—	5,746,842	5,775,315
Amortization of capital assets	—	—	5,094,083	—	—	5,094,083	4,269,870
Acquisitions of works of art	—	—	—	1,606,390	—	1,606,390	706,750
Loss on disposal of capital assets	—	—	41,702	—	—	41,702	82,942
Amortization of works of art	—	—	—	14,626,203	—	14,626,203	9,893,219
Rental building	243,944	—	—	—	—	243,944	270,280
Investment management fees	—	14,227	—	53,719	—	67,946	105,094
Interest – projects	92,856	—	575,467	—	—	668,323	644,413
	38,798,347	14,227	5,711,252	16,433,292	378,400	61,335,518	50,746,650
(Deficiency) excess of revenue over expenses before interfund transfers	438,853	171,379	(380,844)	—	(378,400)	(149,012)	1,694,165
Interfund transfers							
Contributions from Restricted Funds to Operations	188,097	(188,097)	—	—	—	—	—
Contributions from General Fund							
to Employee Benefit Fund	(622,500)	—	—	—	622,500	—	—
to Capital Assets Fund	(810)	—	810	—	—	—	—
(Deficiency) excess of revenue over expenses after interfund transfers	3,640	(16,718)	(380,034)	—	244,100	(149,012)	1,694,165
Endowment contributions	—	26,438	—	—	—	26,438	5,000
Change in revaluations and other recognized elements	—	—	—	—	(241,600)	(241,600)	21,600
Net assets, beginning of year	(2,341,149)	3,781,720	27,088,577	8,340,204	(1,286,100)	35,583,252	33,862,487
Net assets, end of year	(2,337,509)	3,791,440	26,708,543	8,340,204	(1,283,600)	35,219,078	35,583,252

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(149,012)	1,694,165
Adjustments for:		
Change in fair value of investments	(80,902)	(427,776)
Amortization of capital assets	5,094,083	4,269,870
Loss on disposal of capital assets	41,702	82,942
Amortization of deferred contributions related to capital assets	(4,754,941)	(4,070,681)
Amortization of deferred contributions related to acquisitions of works of art	(1,807,090)	(976,142)
Accrued benefit obligations	(219,100)	(183,700)
	(1,875,260)	388,678
Net change in non-cash operating working capital items	(4,779,193)	1,841,566
	(6,654,453)	2,230,244
Investing activities		
Change in grants receivable	5,677,006	5,843,668
Net change in investments	396,834	462,128
Capital assets acquisitions	(2,089,381)	(7,096,303)
	3,984,459	(790,507)
Financing activities		
Change in bank loans	3,165,000	(17,975,000)
Increase in debt	1,885,043	20,508,304
Repayments of debt	(4,991,824)	(6,682,381)
Increase in deferred contributions related to capital assets	60,860	3,346,008
Increase in deferred contributions related to acquisitions of works of art	1,444,432	1,364,855
Endowments received	26,438	5,000
	1,589,949	566,786
Net (decrease) increase in cash and cash equivalents	(1,080,045)	2,006,523
Cash and cash equivalents, beginning of year	3,380,183	1,373,660
Cash and cash equivalents, end of year	2,300,138	3,380,183
Non-cash transactions		
Grants receivable in connection with deferred contributions related to capital assets uncashed at year-end	2,309,941	18,500,000
Capital assets acquisitions unpaid at year-end	21,151	43,220
Uncashed deferred contributions	2,309,941	21,091,526

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 (the "Museum"), a not-for-profit organization, encourages the plastic arts, spreads artistic knowledge, 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 *Act respecting the Montreal Museum of Fine Arts* and is recognized as a registered charity within the meaning of the *Income Tax Act*.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

FUND ACCOUNTING

The Museum 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 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 is 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 the 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.

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

EMPLOYEE FUTURE BENEFITS

The cost of the Museum's defined benefit pension plan and post-employment benefit plan is 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, 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, furniture and decorative art objects. 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 as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. GRANTS

	2018	2017
	\$	\$
Operating grants		
Ministère de la Culture et des Communications	14,748,000	14,994,400
Conseil des arts de Montréal	370,000	370,000
	15,118,000	15,364,400
Grants for specific projects		
Ministère de la Culture et des Communications		
Plan culturel numérique	443,322	351,070
Canada Council for the Arts	390,000	145,000
Terra Foundation for American Art	207,585	—
Department of Canadian Heritage	25,341	124,659
Other grants	58,415	67,134
	1,124,663	687,863
	16,242,663	16,052,263
Grants for expansion projects		
Ministère de la Culture et des Communications	668,323	644,413

4. CAPITAL ASSETS

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	25,397,717	—	25,397,717	25,397,717
Buildings	158,224,124	69,586,085	88,638,039	92,378,606
Building improvements	3,466,828	424,960	3,041,868	2,379,370
Furniture and equipment	4,500,367	2,023,080	2,477,287	2,767,683
Digital infrastructure	2,999,410	1,689,322	1,310,088	1,010,096
	194,588,446	73,723,447	120,864,999	123,933,472

5. BANK LOANS

For its current transactions, the Museum can enter into a bank loan based on its needs, up to a maximum of \$5,000,000; the unused balance of this bank loan is \$3,650,000 at year-end (\$5,000,000 unused as at March 31, 2017). This loan is repayable on demand, bears interest at prime rate (3.45% as at March 31, 2018; 2.70% as at March 31, 2017), and is renewable on an annual basis.

Several projects subsidized by the Ministère de la Culture et des Communications are currently underway as at March 31, 2018: the repairs and maintenance of capital assets project, the collection reorganization project and the digital cultural strategy project for a total amount of \$4,815,000 (projects of \$4,815,000 as at March 31, 2017), with an unused balance of \$2,325,000 at year-end (\$3,940,000 as at March 31, 2017). These loans are subject to a short-term financing from a banking institution and bear interest at prime rate (effective rate of 3.45% as at March 31, 2018; 2.70% as at March 31, 2017).

For the construction of the Michal and Renata Hornstein Pavilion for Peace, the Museum has a line of credit of \$5,000,000 (\$5,000,000 as at March 31, 2017) from a banking institution, at a prime rate (effective rate of 3.45% as at March 31, 2018; 2.70% as at March 31, 2017), with a used balance of \$4,350,000 at year-end (\$4,150,000 as at March 31, 2017).

6. DEBT

	2018	2017
	\$	\$
Loans from the Ministère des Finances and Financement-Québec		
Bearing interest at 4.501%, maturing July 2020 ^{a) 1)}	161,290	215,054
Bearing interest at 4.700%, maturing December 2021 ^{b) 1)}	215,054	268,817
Bearing interest at 4.864%, repaid during the year ^{c) 1)}	—	80,564
Bearing interest at 2.486%, maturing December 2018 ^{d) 1)}	5,321,387	6,651,734
Bearing interest at 2.486%, maturing December 2018 ^{d) 1)}	2,565,360	3,206,700
Bearing interest at 2.238%, repaid during the year ^{d) 1)}	—	83,752
Bearing interest at 2.238%, repaid during the year ^{d) 1)}	—	83,752
Bearing interest at 1.868%, repaid during the year ^{e) 1)}	—	200,904
Bearing interest at 2.873%, maturing July 2022 ^{e) 1)}	1,161,551	1,393,861
Bearing interest at 2.186%, maturing November 2025 ^{f) 1)}	402,617	452,944
Bearing interest at 1.965%, maturing March 2026 ^{g) 1)}	15,299,447	17,211,877
Bearing interest at 2.572%, maturing March 2027 ^{h) 1)}	720,593	800,659
Bearing interest at 1.376%, maturing August 2021 ^{i) 1)}	401,727	—
Bearing interest at 2.454%, maturing February 2027 ^{j) 1)}	792,652	—
Bearing interest at 2.425%, maturing January 2023 ^{k) 1)}	502,159	—
	27,543,837	30,650,618
Current portion	10,558,343	4,803,320
	16,985,494	25,847,298

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

	Debt repayment	Grants from the Government of Quebec
	\$	\$
2019	10,558,343	10,558,343
2020	2,671,597	2,671,597
2021	2,671,597	2,671,597
2022	2,617,834	2,617,834
2023	2,463,638	2,463,638
2024 and thereafter	6,560,828	6,560,828
	27,543,837	27,543,837

- a) On October 7, 2005, the Museum contracted an \$806,451 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the costs of the repairs and maintenance of the capital assets program, Phase I.
- b) On February 22, 2007, the Museum contracted an \$806,452 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the costs of the repairs and maintenance of the capital assets program, Phase II.
- c) On October 31, 2007, the Museum contracted an \$805,639 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the costs of the repairs and maintenance of the capital assets program, Phase III.
- d) On March 30, 2012, the Museum contracted four loans from Financement-Québec totalling \$20,723,917 as administrator of the Financing Fund, and these loans were used to fund the cost of the construction of the Claire and Marc Bourgie Pavilion and to re-install the permanent collections of the Museum.
- e) On March 27, 2013, the Museum contracted two loans of \$3,325,597 from Financement-Québec as administrator of the Financing Fund. These loans were used to fund the costs of the repairs and maintenance of the capital assets program as well as to re-install the permanent collections of the Museum.
- f) On June 8, 2016, the Museum contracted a \$503,271 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the repairs and maintenance of the capital assets program.

- g) On September 8, 2016, the Museum contracted a \$19,124,308 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the cost of the construction of Michal and Renata Hornstein Pavilion for Peace and the repairs and maintenance of the capital assets program.
- h) On January 30, 2017, the Museum contracted an \$880,725 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the digital cultural strategy project of the Museum, Phase I.
- i) On May 31, 2017, the Museum contracted a \$502,159 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the repairs and maintenance of the capital assets program.
- j) On November 30, 2017, the Museum contracted an \$880,725 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the digital cultural strategy project of the Museum, Phase II.
- k) On March 29, 2018, the Museum contracted a \$502,159 loan from Financement-Québec as administrator of the Financing Fund, and this loan was used to fund the collections support program.
- l) 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.

7. DEFERRED CONTRIBUTIONS

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

	2018	2017
	\$	\$
Balance, beginning of the year	93,530,200	73,163,347
Contributions received during the year	2,370,801	24,437,534
Amortization for the year	(4,754,941)	(4,070,681)
Balance, end of year	91,146,060	93,530,200

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

	2018	2017
	\$	\$
Balance, beginning of the year	7,236,558	5,204,437
Amounts received during the year		
Donations and sponsorships	25,019	29,937
Donations from the Foundation	1,000,553	977,761
Investment revenue	711,198	2,000,565
Amortization for the year	(1,807,090)	(976,142)
Balance, end of year	7,166,238	7,236,558

8. EMPLOYEE FUTURE BENEFITS

PENSION PLAN

The Museum has a defined benefit pension plan offered to its non-unionized employees. 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 \$138,537 (\$111,131 in 2017).

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, 2015, and data has been extrapolated to March 31, 2018. The next required valuation will be performed as at December 31, 2018, and completed before September 30, 2019.

Information about the plan is as follows:

	2018	2017
	\$	\$
Accrued benefit obligations	15,858,500	15,135,600
Fair value of plan assets	15,489,200	14,790,500
Plan deficiency	369,300	345,100
Accrued benefit obligations recorded	369,300	345,100

Plan assets consist of:

	2018	2017
	%	%
Bonds	46.3	42.3
Insured annuity contracts	17.1	18.5
Canadian shares	16.2	16.5
U.S. and international shares	17.0	19.5
Real estate	3.4	3.2
	100.0	100.0

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

	2018	2017
	\$	\$
Benefit costs	339,400	404,900
Cash payments recognized	556,800	580,100
Benefits paid by the plan	488,900	366,800

POST-EMPLOYMENT BENEFIT PLAN

The Museum has a post-employment benefit plan offered to all its current retirees. 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 March 31 of each year. The most recent actuarial valuation for funding purposes was performed as at March 31, 2017, and data has been extrapolated to March 31, 2018.

Information about the plan is as follows:

	2018	2017
	\$	\$
Accrued benefit obligations	814,300	816,000
Accrued benefit obligations recorded	814,300	816,000

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

	2018	2017
	\$	\$
Benefit costs	39,000	34,300
Cash payment recognized	40,700	42,800

ASSUMPTIONS

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

	2018		2017	
	Pension plan	Post-employment benefit plan	Pension plan	Post-employment benefit plan
Accrued benefit obligations as at March 31	%	%	%	%
Discount rate	4.90	4.90	4.90	4.90
Rate of compensation increase	3.50	—	3.50	—
Benefit costs for the year ended March 31				
Discount rate	4.90	4.90	5.00	5.00
Expected long-term rate of return on plan assets	4.90	—	4.90	—
Rate of compensation increase	3.50	—	3.50	—

9. INVESTMENT INCOME RELATED TO ENDOWMENTS

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

	2018	2017
	\$	\$
Interest and dividends	534,777	463,099
Change in realized fair value of investments	684,354	616,034
Change in unrealized fair value of investments	(311,114)	1,455,150
	908,017	2,534,283

This income is presented as follows in the financial statements:

	2018		
	General Fund	Acquisitions Fund	Total
	\$	\$	\$
Investment income in the statement of operations and changes in net assets	196,819	—	196,819
Deferred contributions in the statement of financial position	—	711,198	711,198
	196,819	711,198	908,017

	2017		
	General Fund	Acquisitions Fund	Total
	\$	\$	\$
Investment income in the statement of operations and changes in net assets	533,718	—	533,718
Deferred contributions in the statement of financial position	—	2,000,565	2,000,565
	533,718	2,000,565	2,534,283

10. COMMITMENTS

The Museum is bound by a contract for the rental of space for the storage and conservation of works of art, collectors' items, archives and other similar properties, as well as by other contracts for information technology and renovation projects for a total amount of \$4,568,729.

The minimum payments required under these contracts for the next five years are as follows:

	\$
2019	1,862,374
2020	349,207
2021	349,207
2022	349,207
2023	349,207

11. RELATED ORGANIZATIONS AND TRANSACTIONS

THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

The Montreal Museum of Fine Arts Foundation (the "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 Directors.

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 in administering its funds. In addition, the Museum has entrusted the Foundation with the management of certain investments.

The Foundation organizes and manages fundraising campaigns. From these campaigns, the Museum recorded donations totalling \$7,501,987 (\$7,127,717 in 2017), of which a portion of \$4,553,327 (\$3,374,710 in 2017) is presented in "Donations from the Foundation", \$1,264,800 (\$2,040,318 in 2017) is presented in "Donations and sponsorships" and \$1,683,860 (\$1,712,689 in 2017) is presented in "Deferred contributions". From all these donations, \$1,000,553 (\$977,761 in 2017) were for the acquisition of works of art, \$1,555,097 (\$844,163 in 2017) to support educational activities, \$2,057,929 (\$1,811,343 in 2017) for exhibitions, \$1,988,280 (\$1,909,522 in 2017) to support the Museum's day-to-day operations and specific projects and \$900,128 (\$1,584,928 in 2017) for the realization of the Claire and Marc Bourgie Pavilion and the Michal and Renata Hornstein Pavilion for Peace.

12. FINANCIAL INSTRUMENTS

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

	2018	2017
	\$	\$
Cash	89,284	355,585
Canadian bonds	2,643,157	4,248,166
International bonds	—	42,596
Canadian equity securities	8,837,788	8,889,823
U.S. and international equity securities	3,599,557	3,574,022
Canadian Equity Pooled Fund	2,827,977	911,165
	17,997,763	18,021,357

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 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.

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. 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 \$100,180 (\$122,322 as at March 31, 2017) denominated in euros and an amount of \$87,974 (\$83,320 as at March 31, 2017) denominated in U.S. dollars, and cash on the statement of financial position includes an amount of \$500,262 (\$161,616 as at March 31, 2017) denominated in U.S. dollars.

13. COLLECTION OF THE MUSEUM

In its mission to attract the widest possible range of visitors, the Museum has, over the last 157 years of its existence, assembled one of the most significant and encyclopedic 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 2).

Restoration costs during the year amounted to approximately \$878,669 (\$780,311 in 2017).

