

**2018|2019
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, 2019

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the financial statements of The Montreal Museum of Fine Arts (the "Museum"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and 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 Museum as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Museum in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Museum's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Museum or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Museum's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Museum’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Museum to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*¹

July 26, 2019

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	General Fund	Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
					2019	2018
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash and term deposits	482,617	23,504	823,432	—	1,329,553	2,300,138
Accounts receivable	1,634,066	32,487	5,598	—	1,672,151	2,123,610
Interfund balances	3,933,143	(4,619,433)	761,290	(75,000)	—	—
Amount receivable from the Foundation, non-interest bearing and without specific terms of repayment	4,697,483	—	—	—	4,697,483	3,343,118
Grants receivable	518,956	4,252,860	—	—	4,771,816	10,745,444
Inventories of the Boutique and Bookstore	814,967	—	—	—	814,967	857,745
Prepaid expenses	1,953,106	—	—	—	1,953,106	2,232,341
	14,034,338	(310,582)	1,590,320	(75,000)	15,239,076	21,602,396
Grants receivable	1,720,645	22,209,283	—	—	23,929,928	19,295,435
Investments (note 12)	11,935,444	—	14,399,459	—	26,334,903	17,997,763
Capital assets (note 4)	—	118,931,548	—	—	118,931,548	120,864,999
	27,690,427	140,830,249	15,989,779	(75,000)	184,435,455	179,760,593
Liabilities						
Current liabilities						
Bank loans (note 5)	5,640,000	3,405,868	—	—	9,045,868	8,190,000
Accrued interest	12,736	74,865	—	—	87,601	107,279
Accounts payable and accrued liabilities	5,423,694	23,334	410,000	—	5,857,028	3,811,059
Deferred revenue	13,014,468	—	—	—	13,014,468	3,578,367
Deferred contributions	15,000	—	—	—	15,000	15,000
Advance from the Foundation, non-interest bearing and without specific terms of repayment	—	—	—	—	—	1,800,075
Current portion of debt (note 6)	470,230	4,177,995	—	—	4,648,225	10,558,343
	24,576,128	7,682,062	410,000	—	32,668,190	28,060,123
Debt (note 6)	1,720,645	16,546,508	—	—	18,267,153	16,985,494
Deferred contributions (note 7)	—	90,162,728	7,239,575	—	97,402,303	98,312,298
Accrued benefit obligations – pension plan (note 8)	—	—	—	—	—	369,300
Accrued benefit obligations – post-employment benefits (note 8)	—	—	—	813,900	813,900	814,300
	26,296,773	114,391,298	7,649,575	813,900	149,151,546	144,541,515
Commitments (note 10)						
Net assets						
Endowments	1,312,708	—	8,340,204	—	9,652,912	9,619,191
Invested in capital assets	—	25,397,717	—	—	25,397,717	25,397,717
Internally restricted	2,417,225	1,041,234	—	—	3,458,459	3,823,279
Revaluation and other items recognized related to the defined benefit plans	—	—	—	2,051,100	2,051,100	1,906,200
Unrestricted	(2,336,279)	—	—	(2,940,000)	(5,276,279)	(5,527,309)
	1,393,654	26,438,951	8,340,204	(888,900)	35,283,909	35,219,078
	27,690,427	140,830,249	15,989,779	(75,000)	184,435,455	179,760,593

Approved by the Board



Michel de la Chenelière
Chair of the Board
Trustee



Roger Fournelle
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, 2019

	General Fund		Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
	Operations	Restrictions				2019	2018
	\$	\$	\$	\$	\$	\$	\$
Revenue							
General							
Admissions and special events	5,072,072	—	—	—	—	5,072,072	6,003,892
Boutique and Bookstore	2,132,225	—	—	—	—	2,132,225	2,872,003
Donations of works of art	—	—	—	4,282,269	—	4,282,269	14,626,203
Donations and sponsorships	474,893	—	—	—	—	474,893	966,271
Donations from the Foundation (note 11)	5,515,998	—	—	—	—	5,515,998	5,818,127
Exhibition catalogues	418,340	—	—	—	—	418,340	403,074
Annual memberships	3,861,924	—	—	—	—	3,861,924	3,891,874
Exhibition participation	1,569,083	—	—	—	—	1,569,083	1,841,123
Investments (note 9)	212,263	172,487	—	—	—	384,750	196,819
Rental income	427,744	—	—	—	—	427,744	368,807
Miscellaneous (note 11)	512,947	—	—	—	—	512,947	725,297
	20,197,489	172,487	—	4,282,269	—	24,652,245	37,713,490
Operating and specific projects grants (note 3)	17,271,534	—	—	—	—	17,271,534	16,242,663
Grants for expansion projects (note 3)	70,332	—	513,729	—	—	584,061	668,323
Amortization of deferred contributions related to capital assets (note 7)	—	—	5,555,939	—	—	5,555,939	4,754,941
Amortization of deferred contributions related to acquisitions of works of art (note 7)	—	—	—	2,459,756	—	2,459,756	1,807,090
	37,539,355	172,487	6,069,668	6,742,025	—	50,523,535	61,186,507
Expenses							
Temporary exhibitions	7,774,211	—	—	—	—	7,774,211	8,747,013
Permanent collection	2,830,814	—	—	—	—	2,830,814	2,892,949
Security and maintenance	4,943,688	—	—	—	—	4,943,688	5,783,354
Administrative expenses	5,041,082	—	87,891	—	382,800	5,511,773	5,156,811
Educational programs	2,507,499	—	—	—	—	2,507,499	2,517,514
Boutique and Bookstore	2,180,904	—	—	—	—	2,180,904	2,612,230
Curatorial services	5,582,971	—	—	155,665	—	5,738,636	5,530,215
Communications	5,863,343	—	—	—	—	5,863,343	5,746,842
Amortization of capital assets	—	—	5,274,931	—	—	5,274,931	5,094,083
Acquisitions of works of art	—	—	—	2,223,721	—	2,223,721	1,606,390
Loss on disposal of capital assets	—	—	572,228	—	—	572,228	41,702
Amortization of works of art	—	—	—	4,282,269	—	4,282,269	14,626,203
Rental building	227,612	—	—	—	—	227,612	243,944
Investment management fees	—	41,265	—	80,370	—	121,635	67,946
Interest – projects	70,332	—	513,729	—	—	584,061	668,323
	37,022,456	41,265	6,448,779	6,742,025	382,800	50,637,325	61,335,519
(Deficiency) excess of revenue over expenses before interfund transfers	516,899	131,222	(379,111)	—	(382,800)	(113,790)	(149,012)
Interfund transfers							
Contributions from Restricted Funds to Operations	226,450	(226,450)	—	—	—	—	—
Contributions from General Fund							
to Employee Benefit Fund	(632,600)	—	—	—	632,600	—	—
to Capital Assets Fund	(109,519)	—	109,519	—	—	—	—
(Deficiency) excess of revenue over expenses after interfund transfers	1,230	(95,228)	(269,592)	—	249,800	(113,790)	(149,012)
Endowment contributions	—	33,721	—	—	—	33,721	26,438
Change in revaluations and other recognized elements	—	—	—	—	144,900	144,900	(241,600)
Net assets, beginning of year	(2,337,509)	3,791,440	26,708,543	8,340,204	(1,283,600)	35,219,078	35,583,252
Net assets, end of year	(2,336,279)	3,729,933	26,438,951	8,340,204	(888,900)	35,283,909	35,219,078

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2019

	2019	2018
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(113,790)	(149,012)
Adjustments for:		
Change in fair value of investments	(200,832)	(80,902)
Amortization of capital assets	5,274,931	5,094,083
Loss on disposal of capital assets	572,228	41,702
Amortization of deferred contributions related to capital assets	(5,555,939)	(4,754,941)
Amortization of deferred contributions related to acquisitions of works of art	(2,459,756)	(1,807,090)
Accrued benefit obligations	(224,800)	(219,100)
	(2,707,958)	(1,875,260)
Net change in non-cash operating working capital items	8,820,007	(4,779,193)
	6,112,049	(6,654,453)
Investing activities		
Change in grants receivable	4,691,969	5,677,006
Net change in investments	(7,629,013)	396,834
Capital assets acquisitions	(3,652,291)	(2,089,381)
	(6,589,335)	3,984,459
Financing activities		
Change in bank loans	855,868	3,165,000
Increase in debt	5,929,885	1,885,043
Repayments of debt	(10,558,344)	(4,991,824)
Increase in deferred contributions related to capital assets	1,219,773	60,860
Increase in deferred contributions related to acquisitions of works of art	2,025,798	1,444,432
Endowments received	33,721	26,438
	(493,299)	1,589,949
Net decrease in cash and cash equivalents	(970,585)	(1,080,045)
Cash and cash equivalents, beginning of year	2,300,138	3,380,183
Cash and cash equivalents, end of year	1,329,553	2,300,138
Non-cash transactions		
Grants receivable in connection with deferred contributions related to capital assets uncashed at year-end	3,352,834	2,309,941
Capital assets acquisitions unpaid at year-end	282,568	21,151
Uncashed deferred contributions	3,352,834	2,309,941

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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 Montréal 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 is transferred to the person acquiring or when service is 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

Work in progress is recorded at cost. All costs incurred during the work period, both direct and indirect, are capitalized.

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 it 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

	2019	2018
	\$	\$
Operating grants		
Conseil des arts de Montréal	370,000	370,000
Ministère de la Culture et des Communications	15,248,000	14,748,000
	15,618,000	15,118,000
Grants for specific projects		
Canada Council for the Arts	790,467	390,000
Ministère de la Culture et des Communications		
Plan culturel numérique	267,383	443,322
Terra Foundation for American Art	416,495	207,585
Library and Archives Canada	70,843	—
Department of Canadian Heritage	—	25,341
Other grants	108,346	58,415
	1,653,534	1,124,663
	17,271,534	16,242,663
Grants for expansion projects		
Ministère de la Culture et des Communications	584,061	668,323

4. CAPITAL ASSETS

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	25,397,717	—	25,397,717	25,397,717
Buildings	156,579,025	72,182,654	84,396,371	88,638,039
Building improvements	5,782,340	640,927	5,141,413	3,041,868
Furniture and equipment	5,371,570	2,813,414	2,558,156	2,477,287
Digital infrastructure	3,061,246	1,991,906	1,069,340	1,310,088
Work in progress	368,551	—	368,551	—
	196,560,449	77,628,901	118,931,548	120,864,999

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 \$3,100,000 at year-end (\$3,650,000 unused as at March 31, 2018). This loan is repayable on demand, bears interest at prime rate (3.95% as at March 31, 2019; 3.45% as at March 31, 2018), 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, 2019: the repairs and maintenance of capital assets project, the collection reorganization project and the digital cultural strategy project for a total amount of \$5,440,000 (projects of \$4,815,000 as at March 31, 2018), with an unused balance of \$1,700,000 at year-end (\$2,325,000 as at March 31, 2018). These loans are subject to a short-term financing from a banking institution and bear interest at prime rate (effective rate of 3.95% as at March 31, 2019; 3.45% as at March 31, 2018).

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, 2018) from a banking institution, at a prime rate (effective rate of 3.95% as at March 31, 2019; 3.45% as at March 31, 2018), with a used balance of \$3,405,868 at year-end (\$4,350,000 as at March 31, 2018).

6. DEBT

	2019	2018
	\$	\$
Loans from the Ministère des Finances and Financement-Québec		
Bearing interest at 4.501%, maturing in July 2020 ^{a) 1)}	107,527	161,290
Bearing interest at 4.700%, maturing in December 2021 ^{b) 1)}	161,290	215,054
Bearing interest at 2.486%, repaid during the year ^{c) 1)}	—	5,321,387
Bearing interest at 2.486%, repaid during the year ^{c) 1)}	—	2,565,360
Bearing interest at 2.873%, maturing in July 2022 ^{d) 1)}	929,240	1,161,551
Bearing interest at 2.186%, maturing in November 2025 ^{e) 1)}	352,290	402,617
Bearing interest at 1.965%, maturing in March 2026 ^{f) 1)}	13,387,016	15,299,447
Bearing interest at 2.572%, maturing in March 2027 ^{g) 1)}	640,527	720,593
Bearing interest at 1.376%, maturing in August 2021 ^{h) 1)}	301,296	401,727
Bearing interest at 2.454%, maturing in February 2027 ^{i) 1)}	704,580	792,652
Bearing interest at 2.425%, maturing in January 2023 ^{j) 1)}	401,727	502,159
Bearing interest at 2.566%, maturing in December 2021 ^{k) 1)}	5,929,885	—
	22,915,378	27,543,837
Current portion	4,648,225	10,558,343
	18,267,153	16,985,494

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

	Debt repayment	Grants from the Government of Quebec
	\$	\$
2020	4,648,225	4,648,225
2021	4,648,225	4,648,225
2022	4,594,462	4,594,462
2023	2,463,639	2,463,639
2024	2,130,896	2,130,896
2025 and thereafter	4,429,931	4,429,931
	22,915,378	22,915,378

- 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 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.
- d) 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.
- e) 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.
- f) 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.
- g) 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.

- h) 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.
- i) 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.
- j) 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.
- k) On December 8, 2018, the Museum contracted a \$5,929,885 loan from Financement-Québec as administrator of the Financing Fund, and this loan constitutes the refinancing of a previous loan 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.
- 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 year are as follows:

	2019	2018
	\$	\$
Balance, beginning of the year	91,146,060	93,530,200
Contributions received during the year	4,572,607	2,370,801
Amortization for the year	(5,555,939)	(4,754,941)
Balance, end of year	90,162,728	91,146,060

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

	2019	2018
	\$	\$
Balance, beginning of the year	7,166,238	7,236,558
Amounts received during the year		
Donations and sponsorships	28,438	25,019
Donations from the Foundation	1,532,790	1,000,553
Investment revenue	971,865	711,198
Amortization for the year	(2,459,756)	(1,807,090)
Balance, end of year	7,239,575	7,166,238

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 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 \$193,072 (\$138,537 in 2018).

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, 2019. 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:

	2019	2018
	\$	\$
Accrued benefit obligations	16,159,200	15,858,500
Fair value of plan assets	16,219,500	15,489,200
Plan (surplus) deficiency	(60,300)	369,300
Valuation allowance	60,300	—
Accrued benefit obligations recorded	—	369,300

Plan assets consist of:

	2019	2018
	%	%
Bonds	46.9	46.3
Insured annuity contracts	15.7	17.1
Canadian shares	16.4	16.2
U.S. and international shares	17.6	17.0
Real estate	3.4	3.4
	100.0	100.0

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

	2019	2018
	\$	\$
Benefit costs	343,900	339,400
Cash payments recognized	568,300	556,800
Benefits paid by the plan	547,700	488,900

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 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, 2019.

Information about the plan is as follows:

	2019	2018
	\$	\$
Accrued benefit obligations	813,900	814,300
Accrued benefit obligations recorded	813,900	814,300

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

	2019	2018
	\$	\$
Benefit costs	38,900	39,000
Cash payment recognized	39,300	40,700

ASSUMPTIONS

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

	2019		2018	
	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	4.90	4.90
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:

	2019	2018
	\$	\$
Interest and dividends	648,488	534,777
Change in realized fair value of investments	388,056	684,354
Change in unrealized fair value of investments	320,071	(311,114)
	1,356,615	908,017

This income is presented as follows in the financial statements:

	2019		
	General Fund	Acquisitions Fund	Total
	\$	\$	\$
Investment income in the statement of operations and changes in net assets	384,750	—	384,750
Deferred contributions in the statement of financial position	—	971,865	971,865
	384,750	971,865	1,356,615

	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

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 renovation projects for a total amount of \$3,443,234.

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

	\$
2020	1,086,086
2021	349,207
2022	349,207
2023	349,207
2024	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 the 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 \$8,628,061 (\$7,501,987 in 2018), of which a portion of \$5,515,998 (\$5,818,127 in 2018) is presented in "Donations from the Foundation", of \$2,527,563 (\$1,683,860 in 2018) is presented in "Deferred contributions" and of \$584,500 (nil in 2018) is presented in "Deferred revenue". From all these donations, \$1,532,790 (\$1,000,553 in 2018) were for the acquisition of works of art, \$1,045,060 (\$1,555,097 in 2018) to support educational activities, \$1,919,422 (\$2,057,929 in 2018) for exhibitions, \$3,136,016 (\$1,988,280 in 2018) to support the Museum's day-to-day operations and specific projects and \$994,773 (\$900,128 in 2018) 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:

	2019	2018
	\$	\$
Cash	435,045	89,284
Canadian bonds	6,335,932	2,643,157
Canadian equity securities	10,843,341	8,837,788
U.S. and international equity securities	4,821,258	3,599,557
Canadian Equity Pooled Fund	3,899,327	2,827,977
	26,334,903	17,997,763

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 \$354,544 (\$87,974 as at March 31, 2018) denominated in U.S. dollars and an amount of \$182,945 (\$100,180 as at March 31, 2018) denominated in euros, and cash on the statement of financial position includes an amount of \$30,083 (\$500,262 as at March 31, 2018) 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 158 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 \$741,393 (\$878,669 in 2018).

