

**2019|2020
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, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Montreal Museum of Fine Arts

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, 2020, 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, 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 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

September 22, 2020

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	General Fund	Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
					2020	2019
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash and term deposits	1,850,798	3,183	838,405	—	2,692,386	1,329,553
Accounts receivable	1,101,923	32,487	10,506	—	1,144,916	1,672,151
Interfund balances	4,822,402	(5,605,272)	832,870	(50,000)	—	—
Amount receivable from the Foundation, non-interest-bearing and without specific terms of repayment	—	—	—	—	—	4,697,483
Grants receivable	738,773	4,578,516	—	—	5,317,289	4,771,816
Inventories of the Boutique and Bookstore	1,059,347	—	—	—	1,059,347	814,967
Prepaid expenses	1,764,078	—	—	—	1,764,078	1,953,106
	11,337,321	(991,086)	1,681,781	(50,000)	11,978,016	15,239,076
Grants receivable	1,250,415	20,888,348	—	—	22,138,763	23,929,928
Investments (note 12)	9,091,582	—	12,733,699	—	21,825,281	26,334,903
Capital assets (note 4)	—	118,378,730	—	—	118,378,730	118,931,548
Collection (note 2)	—	—	1,000	—	1,000	—
	21,679,318	138,275,992	14,416,480	(50,000)	174,321,790	184,435,455
Liabilities						
Current liabilities						
Bank loans (note 5)	4,732,000	2,405,868	—	—	7,137,868	9,045,868
Accrued interest	9,719	61,078	—	—	70,797	87,601
Accounts payable and accrued liabilities	3,766,876	224,951	531,576	—	4,523,403	5,857,028
Deferred revenue	10,316,218	—	—	—	10,316,218	13,014,468
Deferred contributions	15,000	—	—	—	15,000	15,000
Advance from the Foundation, non-interest-bearing and without specific terms of repayment	808,461	—	—	—	808,461	—
Current portion of debt (note 6)	470,230	4,517,438	—	—	4,987,668	4,648,225
	20,118,504	7,209,335	531,576	—	27,859,415	32,668,190
Debt (note 6)	1,250,415	14,642,996	—	—	15,893,411	18,267,153
Deferred contributions (note 7)	—	89,664,238	5,544,700	—	95,208,938	97,402,303
Accrued benefit obligations – pension plan (note 8)	—	—	—	106,800	106,800	—
Accrued benefit obligations – post-employment benefits (note 8)	—	—	—	675,600	675,600	813,900
	21,368,919	111,516,569	6,076,276	782,400	139,744,164	149,151,546
Commitments (note 10)						
Net assets						
Endowments	1,341,239	—	8,340,204	—	9,681,443	9,652,912
Invested in capital assets	—	25,397,717	—	—	25,397,717	25,397,717
Internally restricted	1,281,894	1,361,706	—	—	2,643,600	3,458,459
Revaluation and other items recognized related to the defined benefit plans	—	—	—	1,941,000	1,941,000	2,051,100
Unrestricted	(2,312,734)	—	—	(2,773,400)	(5,086,134)	(5,276,279)
	310,399	26,759,423	8,340,204	(832,400)	34,577,626	35,283,909
	21,679,318	138,275,992	14,416,480	(50,000)	174,321,790	184,435,455

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, 2020

	General Fund		Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
	Operations	Restrictions				2020	2019
Revenue	\$	\$	\$	\$	\$	\$	\$
General							
Admissions and special events	5,902,298	—	—	—	—	5,902,298	5,072,072
Boutique and Bookstore	2,267,162	—	—	—	—	2,267,162	2,132,225
Donations of works of art	—	—	—	7,922,322	—	7,922,322	4,282,269
Donations and sponsorships	689,277	—	—	—	—	689,277	474,893
Donations from the Foundation (note 11)	5,315,213	—	—	—	—	5,315,213	5,515,998
Exhibition catalogues	384,005	—	—	—	—	384,005	418,340
Annual memberships	3,685,786	—	—	—	—	3,685,786	3,861,924
Exhibition participation	2,584,995	—	—	—	—	2,584,995	1,569,083
Investments (note 9)	235,564	(845,854)	—	—	—	(610,290)	384,750
Rental income	311,737	—	—	—	—	311,737	427,744
Miscellaneous (note 11)	641,415	—	—	—	—	641,415	512,947
	22,017,452	(845,854)	—	7,922,322	—	29,093,920	24,652,245
Operating and specific projects grants (note 3)	17,588,677	—	—	—	—	17,588,677	17,271,534
Grants for expansion projects (note 3)	55,728	—	450,759	—	—	506,487	584,061
Amortization of deferred contributions related to capital assets (note 7)	—	—	5,267,569	—	—	5,267,569	5,555,939
Amortization of deferred contributions related to acquisitions of works of art (note 7)	—	—	—	2,017,173	—	2,017,173	2,459,756
	39,661,857	(845,854)	5,718,328	9,939,495	—	54,473,826	50,523,535
Expenses							
Temporary exhibitions	6,912,189	—	—	—	—	6,912,189	7,774,211
Permanent collection	3,644,324	—	—	—	—	3,644,324	2,830,814
Security and maintenance	5,788,830	—	—	—	—	5,788,830	5,433,688
Administrative expenses	4,880,498	—	70,322	—	365,100	5,315,920	5,021,773
Educational programs	3,021,414	—	—	—	—	3,021,414	2,507,499
Boutique and Bookstore	2,234,734	—	—	—	—	2,234,734	2,180,904
Curatorial services	5,834,629	—	—	218,215	—	6,052,844	5,738,636
Communications	5,880,870	—	—	—	—	5,880,870	5,863,343
Amortization of capital assets	—	—	5,550,354	—	—	5,550,354	5,274,931
Loss on disposal of capital assets	—	—	41,533	—	—	41,533	572,228
Acquisitions of works of art	—	—	—	1,714,166	—	1,714,166	2,223,721
Amortization of works of art	—	—	—	7,922,322	—	7,922,322	4,282,269
Rental building	362,454	—	—	—	—	362,454	227,612
Investment management fees	—	65,307	—	84,792	—	150,099	121,635
Interest – projects	55,728	—	450,759	—	—	506,487	584,061
	38,615,670	65,307	6,112,968	9,939,495	365,100	55,098,540	50,637,325
(Deficiency) excess of revenue over expenses before interfund transfers	1,046,187	(911,161)	(394,640)	—	(365,100)	(624,714)	(113,790)
Interfund transfers							
Contributions from Restricted Funds to Operations	224,170	(224,170)	—	—	—	—	—
Contributions from General Fund							
to Employee Benefit Fund	(531,700)	—	—	—	531,700	—	—
to Capital Assets Fund	(715,112)	—	715,112	—	—	—	—
(Deficiency) excess of revenue over expenses before interfund transfers	23,545	(1,135,331)	320,472	—	166,600	(624,714)	(113,790)
Endowment contributions	—	28,531	—	—	—	28,531	33,721
Change in revaluations and other recognized elements	—	—	—	—	(110,100)	(110,100)	144,900
Net assets, beginning of year	(2,336,279)	3,729,933	26,438,951	8,340,204	(888,900)	35,283,909	35,219,078
Net assets, end of year	(2,312,734)	2,623,133	26,759,423	8,340,204	(832,400)	34,577,626	35,283,909

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 of revenue over expenses	(624,714)	(113,790)
Adjustments for:		
Change in fair value of investments	928,923	(200,832)
Amortization of capital assets	5,550,354	5,274,931
Loss on disposal of capital assets	41,533	572,228
Amortization of deferred contributions related to capital assets	(5,267,569)	(5,555,939)
Amortization of deferred contributions related to acquisitions of works of art	(2,017,173)	(2,459,756)
Accrued benefit obligation	(141,600)	(224,800)
	(1,530,246)	(2,707,958)
Net change in non-cash operating working capital items	1,950,555	8,820,007
	420,309	6,112,049
Investing activities		
Net change in grants receivable	(1,524,565)	4,691,969
Net change in investments	2,167,438	(7,629,013)
Purchase of capital assets	(5,061,476)	(3,652,291)
	(4,418,603)	(6,589,335)
Financing activities		
Net change in bank loans	(1,908,000)	855,868
Increase in debt	2,953,369	5,929,885
Repayment of debt	(4,987,668)	(10,558,344)
Increase in deferred contributions related to capital assets	7,539,336	1,219,773
Increase in deferred contributions related to acquisitions of works of art	1,735,559	2,025,798
Endowments received	28,531	33,721
	5,361,127	(493,299)
Net increase (decrease) in cash and cash equivalents	1,362,833	(970,585)
Cash and cash equivalents, beginning of year	1,329,553	2,300,138
Cash and cash equivalents, end of year	2,692,386	1,329,553
Cash and cash equivalents comprise:		
Cash	1,244,555	129,374
Bank deposits	1,447,831	1,421,604
Bank overdraft	—	(221,425)
Non-cash transactions		
Grants receivable in connection with deferred contributions related to capital assets uncashed	582,577	3,352,834
Capital assets acquisitions unpaid at year-end	260,161	282,568
Uncashed deferred contributions	582,577	3,352,834

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 (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*.

On March 11, 2020, the World Health Organization declared an outbreak of a strain of the novel coronavirus ("COVID-19") a pandemic, which resulted in a series of public health and emergency measures being put in place to control the spread of the virus. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the duration and severity of these developments will have on the Museum's financial results in future periods. However, with regard to the year ended March 31, 2020:

- The Museum was closed between March 13 and March 31, 2020, and subsequently to the year-end, from April 1 to June 6, 2020.
- The Museum experienced a decline in the fair value of its investment portfolio due to the changes in financial markets in March 2020.

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:

CHANGES IN ACCOUNTING POLICIES

The Museum adopted changes made to the *CPA Canada Handbook*, Section 4433, "Tangible capital assets held by not-for-profit organizations," and Section 4434, "Intangible assets held by notforprofit organizations," for the fiscal year beginning April 1, 2019. The Museum applied these changes prospectively in accordance with the transitional provisions. The changes to Section 4433 relate to the requirements to provide a cost breakdown of a tangible capital asset made up of significant distinct components and to recognize partial impairments. Changes to Section 4434 provide additional guidance on the recognition of partial impairments when circumstances indicate that an intangible asset is impaired as well as on the required impairment disclosures. The adoption of these changes had no impact on the disclosures or the amounts recognized in the Museum's financial statements during the current period.

The Museum also adopted Section 4441, "Collections held by not-for-profit organizations" for the fiscal year beginning April 1, 2019. This section requires that all collections be recorded in the statement of financial position, either at cost or at a nominal value, when the cost method of accounting is used and the cost of one or more items or collections received in contribution cannot be determined with reasonable effort. In accordance with the transitional provisions, the Museum chose to present the collections it holds at a nominal value of \$1,000 in the statement of financial position.

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 this 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.

When circumstances indicate that a capital asset is impaired, its net book value should be written down to the fair value or replacement cost of the asset. Write-downs of capital assets should be recorded as an expense in the statement of operations and changes in net assets. A write-down should not be reversed.

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 benefits 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 immediate recognition approach, whereby it recognizes:

- the defined benefit obligations net of the fair value of any plan assets, and adjusted for any valuation allowance (either the asset or the accrued benefit obligation) in the statement of financial position;
- the cost of the plan for the year in the statement of operations;
- 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 obligations in the statement of changes in net assets.

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.

COLLECTION

The Museum's permanent collection comprises paintings, sculptures, drawings and prints, furniture and decorative art objects. This permanent collection is recorded at a nominal value of \$1,000 in the statement of financial position. 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

	2020	2019
	\$	\$
Operating grants		
Conseil des arts de Montréal	370,000	370,000
Ministère de la Culture et des Communications	15,248,000	15,248,000
	15,618,000	15,618,000
Grants for specific projects		
Canada Council for the Arts	520,045	790,467
Ministère de la Culture et des Communications		
Plan culturel numérique	421,864	267,383
Support to Crown corporations and national organizations	190,333	—
Other provincial programs	351,126	—
Terra Foundation for American Art	66,500	416,495
Canada Emergency Wage Subsidy	283,002	—
Library and Archives Canada	—	70,843
Other grants	137,807	108,346
	1,970,677	1,653,534
	17,588,677	17,271,534
Grants for expansion projects		
Ministère de la Culture et des Communications	506,487	584,061

4. CAPITAL ASSETS

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	25,397,717	—	25,397,717	25,397,717
Buildings	156,346,681	75,657,603	80,689,078	84,396,371
Building improvements	7,591,568	987,780	6,603,788	5,141,413
Furniture and equipment	6,558,194	3,852,248	2,705,946	2,558,156
Digital infrastructure	3,166,891	2,490,814	676,077	1,069,340
Work in progress	2,306,124	—	2,306,124	368,551
	201,367,175	82,988,445	118,378,730	118,931,548

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 \$4,500,000 at year-end (\$3,100,000 unused as at March 31, 2019). This loan is repayable on demand, bears interest at prime rate (3.45% as at March 31, 2020; 3.95% as at March 31, 2019), 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, 2020: the repairs and maintenance of capital assets project, the collection reorganization project and the digital cultural strategy project. These projects represent loans of \$7,940,000 (\$5,440,000 as at March 31, 2019) with an unused balance of \$3,708,000 at year-end (\$1,700,000 as at March 31, 2019). 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, 2020; 3.95% as at March 31, 2019).

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, 2019) from a banking institution, at a prime rate (effective rate of 3.45% as at March 31, 2020; 3.95% as at March 31, 2019), with a used balance of \$2,405,868 at year-end (\$3,405,868 used as at March 31, 2019).

6. DEBT

	2020	2019
	\$	\$
Loans from the Ministère des Finances and Financement-Québec		
Bearing interest at 4.501%, maturing in July 2020 ^{a) m)}	53,763	107,527
Bearing interest at 4.700%, maturing in December 2021 ^{b) m)}	107,527	161,290
Bearing interest at 2.873%, maturing in July 2022 ^{c) m)}	696,931	929,240
Bearing interest at 2.186%, maturing in November 2025 ^{d) m)}	301,963	352,290
Bearing interest at 1.965%, maturing in March 2026 ^{e) m)}	11,474,585	13,387,016
Bearing interest at 2.572%, maturing in March 2027 ^{f) m)}	560,461	640,527
Bearing interest at 1.376%, maturing in August 2021 ^{g) m)}	200,864	301,296
Bearing interest at 2.454%, maturing in February 2027 ^{h) m)}	616,507	704,580
Bearing interest at 2.425%, maturing in January 2023 ^{i) m)}	301,296	401,727
Bearing interest at 2.566%, maturing in December 2021 ^{j) m)}	3,953,256	5,929,885
Bearing interest at 1.968%, maturing in March 2024 ^{k) m)}	352,847	—
Bearing interest at 2.083%, maturing in March 2029 ^{l) m)}	2,261,079	—
	20,881,079	22,915,378
Current portion	4,987,668	4,648,225
	15,893,411	18,267,153

- 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 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 the re-installation of the permanent collections of the Museum.
- d) 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.
- e) 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.
- f) 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.
- g) 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.
- h) 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.
- i) 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.
- j) On December 3, 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 the re-installation of the permanent collections of the Museum.
- k) On May 31, 2019, the Museum contracted a \$441,059 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 III.
- l) On November 29, 2019, the Museum contracted a \$2,512,310 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.
- m) 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.

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

	Repayments of debt	Grants from the Government of Quebec
	\$	\$
2021	4,987,668	4,987,668
2022	4,933,905	4,933,905
2023	2,803,082	2,803,082
2024	2,470,340	2,470,340
2025	4,681,162	4,681,162
2026 and thereafter	1,004,922	1,004,922
	20,881,079	20,881,079

7. DEFERRED CONTRIBUTIONS

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

	2020	2019
	\$	\$
Balance, beginning of year	90,162,728	91,146,060
Contributions received during the year	4,769,079	4,572,607
Amortization for the year	(5,267,569)	(5,555,939)
Balance, end of year	89,664,238	90,162,728

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

	2020	2019
	\$	\$
Balance, beginning of year	7,239,575	7,166,238
Amounts received during the year		
Donations and sponsorships	19,930	28,438
Donations from the Foundation	1,230,791	1,532,790
Investment revenue	(928,423)	971,865
Amortization for the year	(2,017,173)	(2,459,756)
Balance, end of year	5,544,700	7,239,575

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 be no new beneficiaries of this plan as of 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 \$203,266 (\$193,072 in 2019).

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, 2018, and the data has been extrapolated to March 31, 2020. The next required valuation will be performed as at December 31, 2021, and completed before September 30, 2022.

Information about the plan is as follows:

	2020	2019
	\$	\$
Accrued benefit obligations	16,220,400	16,159,200
Fair value of plan assets	16,113,600	16,219,500
Plan (deficiency) surplus	(106,800)	60,300
Valuation allowance	—	60,300
Accrued benefit obligations recorded	(106,800)	—

Plan assets consist of:

	2020	2019
	%	%
Bonds	45.0	46.9
Insured annuity contracts	15.2	15.7
Canadian shares	10.6	16.4
U.S. and international shares	16.0	17.6
Infrastructure	4.0	—
Real estate	9.2	3.4
	100.0	100.0

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

	2020	2019
	\$	\$
Benefit costs	326,100	343,900
Cash payments recognized	471,600	568,300
Benefits paid by the plan	619,700	547,700

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 be no new beneficiaries of this plan as of 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 the data has been extrapolated to March 31, 2020.

Information about the plan is as follows:

	2020	2019
	\$	\$
Accrued benefit obligations	817,800	813,900
Actuarial gains on the obligation under the defined benefits	142,200	—
Accrued benefit obligations recorded	675,600	813,900

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

	2020	2019
	\$	\$
Benefit costs	39,000	38,900
Cash payments recognized	35,100	39,300

ASSUMPTIONS

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

	2020		2019	
	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:

	2020	2019
	\$	\$
Interest and dividends	803,471	648,488
Change in realized fair value of investments	319,191	388,056
Change in unrealized fair value of investments	(2,661,375)	320,071
	(1,538,713)	1,356,615

This income is presented as follows in the financial statements:

	2020		
	General Fund	Acquisitions Fund	Total
	\$	\$	\$
Investment income in the statement of operations and changes in net assets	(610,290)	—	(610,290)
Deferred contributions in the statement of financial position	—	(928,423)	(928,423)
	(610,290)	(928,423)	(1,538,713)

	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

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 \$3,583,024.

Minimum payments required under these contracts over the next five years are as follows:

	\$
2021	1,074,898
2022	713,362
2023	485,238
2024	349,207
2025	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 Trustees.

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 and events. From these campaigns and events, the Museum recorded donations totalling \$6,922,840 (\$8,628,061 in 2019), of which \$5,315,213 (\$5,515,998 in 2019) is presented in "Donations from the Foundation," \$1,607,627 (\$2,527,563 in 2019) is presented in "Deferred contributions" and nil (\$584,500 in 2019) is presented in "Deferred revenue." From all these donations, \$1,230,791 (\$1,532,790 in 2019) went to the acquisition of works of art, \$1,121,880 (\$1,045,060 in 2019) to support educational activities, \$1,133,611 (\$1,919,422 in 2019) to exhibitions, \$3,059,722 (\$3,136,016 in 2019) to support the Museum's day-to-day operations and specific projects and \$376,836 (\$994,773 in 2019) to the realization of the Claire and Marc Bourgie Pavilion and the Michal and Renata Hornstein Pavilion for Peace.

The Foundation's condensed financial information as at March 31, 2020, and 2019 is as follows:

	2020	2019
	\$	\$
Financial position		
Assets	45,059,965	53,434,091
Liabilities	977,682	5,985,184
Net assets	44,082,283	47,448,907
	45,059,965	53,434,091
Operations		
Revenue		
Contributions	8,997,198	8,841,804
Investment revenue	(2,895,480)	3,197,124
Grant	187,500	—
	6,289,218	12,038,928
Expenses	2,733,002	2,829,424
Donations to the Museum	6,922,840	8,628,061
(Deficiency) excess of revenue over expenses	(3,366,624)	581,443
Cash flows		
Cash flows from operating activities	(4,782,090)	2,068,017
Cash flows from investing activities	1,075,115	(1,545,625)
Cash flows from financing activities	—	250,000

12. FINANCIAL INSTRUMENTS

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

The investments consist of:

	2020	2019
	\$	\$
Cash	601,327	435,045
Canadian bonds	5,226,973	6,335,932
Canadian shares	8,662,962	10,843,341
U.S. and international equity securities	3,832,983	4,821,258
Canadian Equity Pooled Fund	3,501,036	3,899,327
	21,825,281	26,334,903

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 bearing interest at fixed rates. Consequently, a change in market interest rates will affect the fair value of the bonds.

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 in the statement of financial position include an amount of \$10,618 in Canadian dollars (\$354,544 as at March 31, 2019) denominated in U.S. dollars and an amount of \$84,355 in Canadian dollars (\$182,945 as at March 31, 2019) denominated in euros, and cash in the statement of financial position includes an amount of \$386,461 in Canadian dollars (\$30,083 as at March 31, 2019) denominated in U.S. dollars.

13. COLLECTION OF THE MUSEUM

In its mission to attract the most diversified range of visitors, the Museum has, over the last 159 years of its existence, assembled one of the most significant and encyclopaedic 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 \$910,527 (\$741,393 in 2019).

14. SUBSEQUENT EVENTS

On September 18, 2020, a claim was filed against the Museum's trustees. As of September 22, 2020, the Museum is unable to determine the potential impact of this claim on its financial position, the results of its operations and its cash flows.

15. COMPARATIVE FIGURES

Certain comparative figures from the previous year have been reclassified to conform to the current year presentation.

