2013|2014
ANNUAL
REPORT
MONTREAL
MUSEUM OF
FINE ARTS

FINANCIAL STATEMENTS OF THE MUSEUM AND THE MUSEUM FOUNDATION

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS

MARCH 31, 2014

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 (the "Museum"), which comprise the statement of financial position as at March 31, 2014, 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 Museum as at March 31, 2014, 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[1]

June 26, 2014

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	General Fund	Capital Assets Fund	Acquisition Fund	Employee Benefit Fund	Total 2014	Total 2013
	$	$	$	$	$	$
Assets						
Current assets						
Cash and term deposits	1,933,670	—	—	—	**1,933,670**	4,943,235
Accounts receivable	2,076,644	—	—	—	**2,076,644**	788,369
Interfund balances	2,138,198	(3,468,949)	1,530,751	(200,000)	**—**	—
Amounts receivable from the Foundation, non-interest bearing and without specific terms of repayment	2,041,543	—	—	—	**2,041,543**	2,237,737
Grants receivable	1,200,154	4,122,981	—	—	**5,323,135**	5,592,383
Inventories of the Boutique and Bookstore	728,446	—	—	—	**728,446**	820,051
Prepaid expenses	627,854	969	—	—	**628,823**	1,791,999
	10,746,509	655,001	1,530,751	(200,000)	**12,732,261**	16,173,774
Grants receivable	3,926,823	16,354,098	—	—	**20,280,921**	24,553,885
Investments (Note 12)	3,448,702	—	12,583,823	—	**16,032,525**	14,295,289
Accumulated interest	—	1,200,000	—	—	**1,200,000**	1,600,000
Capital assets (Note 4)	—	102,682,908	—	—	**102,682,908**	106,341,690
Construction in progress	—	2,372,763	—	—	**2,372,763**	118,417
Accrued benefit asset (Note 8)	—	—	—	1,073,500	**1,073,500**	1,012,300
	18,122,034	123,264,770	14,114,574	873,500	**156,374,878**	164,095,355
Liabilities						
Current liabilities						
Bank overdraft	—	351,018	—	—	**351,018**	—
Bank loans (Note 5)	2,000,000	750,000	—	—	**2,750,000**	4,856,880
Accrued interest	119,977	283,682	—	—	**403,659**	381,404
Accounts payable and accrued liabilities	2,996,447	392,774	15,000	—	**3,404,221**	2,121,931
Deferred revenue	2,526,689	—	—	—	**2,526,689**	2,202,437
Deferred contributions	1,514,670	—	—	—	**1,514,670**	2,697,326
Advance from the Foundation (Note 11)	2,840,201	—	—	—	**2,840,201**	2,839,771
Current portion of long-term debt (Note 6)	833,809	3,839,299	—	—	**4,673,108**	7,230,331
	12,831,793	5,616,773	15,000	—	**18,463,566**	22,330,080
Long-term debt (Note 6)	3,926,823	22,554,098	—	—	**26,480,921**	29,090,984
Deferred contributions (Note 7)	—	69,492,497	—	—	**69,492,497**	71,762,479
Accrued benefit obligations (Note 8)	—	—	—	982,500	**982,500**	1,042,100
	16,758,616	97,663,368	15,000	982,500	**115,419,484**	124,225,643
Commitments (Note 10)						
Net assets						
Invested in capital assets	—	25,397,717	—	—	**25,397,717**	25,397,717
Restricted (Note 9)	3,468,432	—	14,099,574	—	**17,568,006**	16,545,503
Unrestricted	(2,105,014)	203,685	—	(109,000)	**(2,010,329)**	(2,073,508)
	1,363,418	25,601,402	14,099,574	(109,000)	**40,955,394**	39,869,712
	18,122,034	123,264,770	14,114,574	873,500	**156,374,878**	164,095,355

Approved by the Board

Brian M. Levitt
Chairman of the Board
Trustee

Michal Hornstein
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, 2014

	General Fund		Capital Assets Fund	Acquisitions Fund	Employee Benefit Fund	Total	
	Operations	Restrictions				**2014**	2013
	$	$	$	$	$	$	$
Revenue							
General							
Admissions and special events	4,714,329	—	—	—	—	**4,714,329**	3,098,119
Boutique and Bookstore	3,116,487	—	—	—	—	**3,116,487**	2,275,152
Donations of works of art	—	—	—	29,174,194	—	**29,174,194**	18,436,252
Donations and sponsorships (Note 11)	2,525,488	—	—	495,651	—	**3,021,139**	3,282,715
Donations from the Foundation (Note 11)	1,628,094	—	—	427,790	—	**2,055,884**	2,690,769
Exhibition catalogues	480,733	—	—	—	—	**480,733**	673,187
Annual memberships	2,474,567	—	—	—	—	**2,474,567**	1,953,363
Exhibition participation	2,160,174	—	—	—	—	**2,160,174**	822,000
Investments (Note 9)	14,739	550,686	—	2,027,667	—	**2,593,092**	1,241,990
Rental income	499,697	—	—	—	—	**499,697**	571,509
Miscellaneous (Note 11)	847,915	—	—	—	—	**847,915**	636,362
	18,462,223	550,686	—	32,125,302	—	**51,138,211**	35,681,418
Operating and specific projects acquisitions grants (Note 3)	15,948,560	—	—	29,126	—	**15,977,686**	15,539,375
Grants – expansion projects (Note 3)	159,797	—	835,159	—	—	**994,956**	1,103,233
Amortization of deferred contributions related to capital assets (Note 7)	—	—	3,657,243	—	—	**3,657,243**	3,555,111
	34,570,580	550,686	4,492,402	32,154,428	—	**71,768,096**	55,879,137
Expenses							
Temporary exhibitions	7,190,850	—	—	—	—	**7,190,850**	5,121,024
Permanent collection	1,858,664	—	—	—	—	**1,858,664**	2,288,859
Security and maintenance	5,646,181	—	—	—	—	**5,646,181**	5,302,642
Administrative expenses (including interest expense of $8,089; $52,432 in 2013)	7,374,070	—	—	—	802,100	**8,176,170**	7,280,260
Boutique and Bookstore	2,706,001	—	—	—	—	**2,706,001**	2,147,000
Curatorial services	4,589,613	—	—	163,940	—	**4,753,553**	4,558,524
Communication services	3,305,181	—	—	—	—	**3,305,181**	3,083,398
Amortization of capital assets	—	—	3,461,910	—	—	**3,461,910**	3,994,627
Acquisitions of works of art	—	—	—	2,090,681	—	**2,090,681**	392,877
Amortization of works of art	—	—	—	29,174,194	—	**29,174,194**	18,436,252
Loss on write-off of capital assets	—	—	609,212	—	—	**609,212**	—
Rental expenses	614,115	—	—	—	—	**614,115**	501,062
Investment management fees	—	18,102	—	87,644	—	**105,746**	76,905
Interest – projects	159,797	—	835,159	—	—	**994,956**	1,103,233
	33,444,472	18,102	4,906,281	31,516,459	802,100	**70,687,414**	54,286,663
Excess (deficiency) of revenue over expenses before interfund transfers	1,126,108	532,584	(413,879)	637,969	(802,100)	**1,080,682**	1,592,474
Interfund transfers							
Contribution from Restricted Funds to Operations	153,050	(153,050)	—	—	—	**—**	—
Contributions from General Fund							
to Employee Benefit Fund	(947,900)	—	—	—	947,900	**—**	—
to Capital Assets Fund	(617,564)	—	617,564	—	—	**—**	—
Excess (deficiency) of revenue over expenses after interfund transfers	(286,306)	379,534	203,685	637,969	145,800	**1,080,682**	1,592,474
Endowment contributions	—	5,000	—	—	—	**5,000**	55,551
Net assets, beginning of year	(1,818,708)	3,083,898	25,397,717	13,461,605	(254,800)	**39,869,712**	38,221,687
Net assets, end of year	(2,105,014)	3,468,432	25,601,402	14,099,574	(109,000)	**40,955,394**	39,869,712

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

	2014	2013
	$	$
Operating activities		
Excess of revenue over expenses	**1,080,682**	1,592,474
Adjustments for		
Change in fair value of investments	**(2,161,634)**	(852,071)
Amortization of capital assets	**3,461,910**	3,994,627
Amortization of deferred contributions related to capital assets	**(3,657,243)**	(3,555,111)
Loss on write-off of capital assets	**609,212**	—
	(667,073)	1,179,919
Net change in non-cash operating working capital items	**888,471**	655,218
	221,398	1,835,137
Investing activities		
Change in grants receivable	**4,542,212**	3,962,603
Net change in investments	**424,398**	360,322
Capital assets and construction in progress acquisition	**(2,666,686)**	(624,151)
	2,299,924	3,698,774
Financing activities		
Change in bank loans	**(2,106,880)**	(2,303,000)
Increase of long-term debt	**5,000,000**	3,325,597
Repayments of long-term debt	**(10,167,286)**	(4,808,792)
Increase in deferred contributions related to capital assets	**1,387,261**	1,389,214
Endowment contributions	**5,000**	55,551
	(5,881,905)	(2,341,430)
Net (decrease) increase in cash and cash equivalents	**(3,360,583)**	3,192,481
Cash and cash equivalents, beginning of year	**4,943,235**	1,750,754
Cash and cash equivalents, end of year	**1,582,652**	4,943,235
Comprise:		
Cash and term deposits	**1,933,670**	4,943,235
Bank overdraft	**(351,018)**	—
	1,582,652	4,943,235

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

1. STATUS AND NATURE OF ACTIVITIES

The Montreal Museum of Fine Arts (the "Museum"), a not-for-profit organization, encourages the plastic arts and an appreciation thereof 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 *Loi sur le Musée des beaux-arts de Montréal* and is 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 operating expenses related to the Museum's day-to-day operating activities. Endowments, the income from which is to be used to increase the original endowment and for day-to-day operations, are presented as restricted net assets of the General Fund.

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 and endowments, the income from which is to be used to increase the original endowment and to purchase works of art.

IV EMPLOYEE BENEFIT FUND
The Employee Benefit Fund presents the accrued benefit asset and 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 recognized as revenue of the appropriate fund. 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. The fair value of investments is based on closing bid prices. 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 operation as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Museum recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in statement of operations 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..

ACCUMULATED INTEREST

The interest accumulated during the realization of the expansion project of the Jean-Noël Desmarais Pavilion was accumulated separately from the cost of construction and is being recovered through an annual grant from the Ministère de la Culture et des Communications.

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
Furniture and equipment	5 years

CONSTRUCTION IN PROGRESS

Construction in progress is recorded at cost. All costs incurred during the construction, both direct and indirect, are capitalized.

EMPLOYEE FUTURE BENEFITS

The Museum uses the deferral method to account employee future benefits.

The cost of the Museum's defined benefit pension plan and post-employment benefit plan are determined periodically by independent actuaries. The actuarial valuation is based on the projected benefit method prorated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected rate of return on plan assets, those assets are valued at fair value. The post-employment benefit plan is not capitalized.

Actuarial gains or losses arise from the difference between the actual long-term rate of return on pension plan assets for the year and the expected long-term rate of return on pension plan assets for that year, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (net accumulated actuarial loss) over 10% of the greater of the benefit obligation or over 10% of the fair value of the pension plan assets, if this amount is higher than the preceding amount, is amortized over the average remaining service period of active employees, being 10 years (2013 – 11 years).

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendments.

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.

WORKS OF ART

The Museum's permanent collection comprises paintings, sculptures, drawings and prints, and decorative arts. 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.

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

3. GRANTS

	2014	2013
	$	$
Operating grants		
Ministère de la Culture et des Communications	**15,049,900**	14,635,260
Conseil des arts de Montréal	**370,000**	370,000
	15,419,900	15,005,260
Grants for specific projects and acquisitions		
Ministère de la Culture et des Communications		
Repair and maintenance of capital assets	**325,000**	—
Re-installation of Quebec and Canadian Art, Early and Modern	**—**	100,665
Canada Council for the Arts	**174,126**	166,200
Bank of America Merrill Lynch	**58,660**	—
Department of Canadian Heritage	**—**	200,000
Terra Foundation for American Art	**—**	57,250
City of Montreal – Partenariat Culture et Communauté	**—**	10,000
	557,786	534,115
	15,977,686	15,539,375
Grants for expansion projects		
Government of Québec		
Ministère de la Culture et des Communications	**994,956**	1,103,233

4. CAPITAL ASSETS

	2014			2013
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	**25,397,717**	**—**	**25,397,717**	25,397,717
Buildings	**133,085,925**	**56,113,612**	**76,972,313**	80,630,333
Furniture and equipment	**1,637,436**	**1,324,558**	**312,878**	313,640
	160,121,078	**57,438,170**	**102,682,908**	106,341,690

5. BANK LOANS

For its current transactions, the Museum could enter into a bank loan based on its needs, up to a maximum of $5,000,000, of which $3,000,000 was not used at year-end ($3,450,000 as at March 31, 2013). This loan is repayable on demand, bears interest at prime rate of 3% as at March 31, 2014 (3% as at March 31, 2013), and is renewable on an annual basis.

A project subsidized by the Ministère de la Culture et des Communications is currently under way as at March 31, 2014, the repairs and maintenance of capital assets being obtained in 2013 - 2014 for an amount of $500,000, with an unused balance of $500,000 at year-end (four projects as at March 31, 2013, totalling $3,306,880 with an unused balance of nil as at March 31, 2013). This loan is subject to a short-term financing from a banking institution and bears interest at prime rate (effective rate of 3% as at March 31, 2014, and a 3% as at March 31, 2013, regarding the four subsidized projects).

For the construction of the new Michal and Renata Horstein Pavilion for Peace, the Museum has a line of credit of $18,500,000 ($18,500,000 as at March 31, 2013), from a banking institution, at a prime rate (effective rate of 3%), of which $17,750,000 was not used at year-end (unused as at March 31, 2013).

6. LONG-TERM DEBT

	2014	2013
	$	$
Debts funded by the Government of Quebec		
Loans from the Ministère des Finances and Financement Québec		
Bearing interest at 6.334%, maturing October 2016 [a) h)]	**5,160,000**	6,880,000
Bearing interest at 5.085%, reimbursed during the year	—	173,211
Bearing interest at 4.501%, maturing July 2020 [b) h)]	**376,344**	430,108
Bearing interest at 4.700%, maturing December 2021 [c) h)]	**430,108**	483,871
Bearing interest at 4.864%, maturing December 2017 [d) h)]	**322,256**	402,820
Bearing interest at 2.486%, maturing December 2018 [e) h)]	**10,642,776**	11,973,121
Bearing interest at 2.486%, maturing December 2018 [e) h)]	**5,130,720**	5,772,060
Bearing interest at 2.238%, maturing December 2017 [e) h)]	**335,008**	418,760
Bearing interest at 2.238%, maturing December 2017 [e) h)]	**335,008**	418,760
Bearing interest at 1.868%, maturing November 2017 [f) h)]	**803,616**	1,004,520
Bearing interest at 2,873%, maturing July 2022 [f) h)]	**2,090,792**	2,323,102
Bank loans		
Bearing interest at 3.770% (3.770% as at March 31, 2013), maturing December 2016 [h)]	**459,901,**	602,105
Bearing interest at 5.410%, maturing August 2015 [h)]	**67,500**	112,500
	26,154,029	30,994,938
Debts not funded		
Bearing interest at 5.000%, maturing on December 1, 2016 [g)]	**5,000,000**	—
Bank loans		
Bearing interest from 4.800% to 5.420%, reimbursed during the year	—	3,186,906
Bearing interest at 4.900%, reimbursed during the year	—	978,855
Bearing interest at 4.900%, reimbursed during the year	—	1,160,616
	5,000,000	5,326,377
	31,154,029	36,321,315
Current portion	**4,673,108**	7,230,331
	26,480,921	29,090,984

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

	Debt repayment	Grants
	$	$
2015	4,673,108	4,673,108
2016	9,656,225	4,656,225
2017	4,639,557	4,639,557
2018	2,760,496	2,760,496
2019	8,226,584	8,226,584
2020 and thereafter	1,198,059	1,198,059
	31,154,029	26,154,029

a) This debt is in relation to the Jean-Noël Desmarais Pavilion. On June 19, 1991, the Museum contracted a loan for $43,000,000 from the Ministère des Finances du Québec as administrator of the Fonds de financement, and this loan was used to reimburse the bankers' acceptances and accumulated interest under the special borrowing bylaw enacted on August 23, 1989.

b) On October 7, 2005, the Museum contracted a $806,451 loan from Financement-Québec as administrator of the Fonds de financement, and this loan was used to fund the costs of the repairs and maintenance of capital assets, Phase I.

c) On February 22, 2007, the Museum contracted a $806,452 loan from Financement-Québec as administrator of the Fonds de financement, and this loan was used to fund the costs of the repairs and maintenance of capital assets, Phase II.

d) On October 31, 2007, the Museum contracted a $805,639 loan from Financement-Québec as administrator of the Fonds de financement, and this loan was used to fund the costs of the repairs and maintenance of capital assets, Phase III.

e) On March 30, 2012, the Museum contracted four loans from Financement-Québec totalling $20,723,917 as administrator of the Fonds de financement and these loans were used to fund the cost of the construction of Bourgie Pavilion and to re-install the permanent collection of the Museum.

f) On March 27, 2013, the Museum contracted two loans of $3,325,597 from Financement Québec as administrator of the Fonds de financement. These loans were used to fund the costs of the repairs and maintenance of capital assets as well as to re-install the permanent collection of the Museum.

g) On December 3, 2013, The Museum contracted a $5,000,000 loan from 97834 Canada Inc. This loan permitted the Museum to reimburse the debts not funded. A letter of guarantee in the amount of $5,000,000 maturing in November 2014 was contracted with the National Bank of Canada during the year relative to this loan.

h) In consideration 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:

	2014	2013
	$	$
Balance, beginning of the year	71,762,479	73,928,376
Contributions received during the year	1,387,261	1,389,214
Amortization for the year	(3,657,243)	(3,555,111)
Balance, end of year	69,492,497	71,762,479

8. EMPLOYEE FUTURE BENEFITS

PENSION PLAN

The Museum has a defined benefit pension plan offered to non-unionized employees of the Museum. 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 $44,876 ($27,662 in 2013).

The Museum measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation for funding purposes was performed as at December 31, 2012, and the next required valuation will be performed as at December 31, 2013, and completed before September 30, 2014.

Information about the plan is as follows:

	2014	2013
	$	$
Accrued benefit obligations	(12,669,800)	(12,272,300)
Fair value of plan assets	10,813,800	9,805,100
Funded status – plan deficiency	(1,856,000)	(2,467,200)
Balance of unamortized amount	2,929,500	3,479,500
Accrued benefit asset recorded	1,073,500	1,012,300

Plan assets consist of:

	2014	2013
	%	%
Bonds	38.3	69.5
Annuity contract insured	29.3	—
Canadian shares	16.2	15.3
U.S. and international shares	16.2	15.2
	100.0	100.0

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

	2014	2013
	$	$
Benefit costs	764,500	574,600
Cash payments recognized	825,700	698,600
Benefits paid by the plan	276,600	249,900

POST-EMPLOYMENT BENEFIT PLAN

The Museum has a post-employment benefit plan offered to all current retirees of the Museum. 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 December 31 of each year.

Information about the plan is as follows:

	2014	2013
	$	$
Accrued benefit obligations	(861,800)	(1,121,800)
Balance of unamortized amount	(120,700)	79,700
Accrued benefit obligations recorded	(982,500)	(1,042,100)

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

	2014	2013
	$	$
Benefit costs	**37,600**	43,300
Cash payment recognized	**97,200**	98,900

ASSUMPTIONS

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

	2014		2013	
	Pension Plan	Post-employment benefit plan	Pension Plan	Post-employment benefit plan
	%	%	%	%
Accrued benefit obligations as at December 31:				
Discount rate	**4.75**	**3.75**	4.00	3.50
Rate of compensation increase	**3.50**	**—**	3.50	—
Benefit costs for the year ended December 31:				
Discount rate	**4.00**	**3.50**	4.75	4.00
Expected long-term rate of return on plan assets	**3.75**	**—**	4.00	—
Rate of compensation increase	**3.50**	**—**	3.50	—

9. RESTRICTIONS ON NET ASSETS OF THE GENERAL AND ACQUISITIONS FUNDS

	2014	2013
	$	$
Amounts restricted to the General Fund, including endowments ($1,218,087; $1,213,087 in 2013), the income of which is used to fund the Museum's day-to-day operations	**3,468,432**	3,083,898
Amounts restricted to the Acquisitions Fund, including endowments ($8,020,370; $8,020,370 in 2013), the income of which is used to fund the acquisitions of works of art	**14,099,574**	13,461,605
	17,568,006	16,545,503

The endowments were invested. Total income from these endowment investments are as follows:

	2014	2013
	$	$
Income on resources held for endowment:		
Credited to the General Fund	**565,425**	271,547
Credited to the Acquisitions Fund	**2,027,667**	970,443
	2,593,092	1,241,990

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

	2014	2013
	$	$
Interest and dividends	**431,458**	389,919
Change in fair value of investments	**2,161,634**	852,071
	2,593,092	1,241,990

10. COMMITMENTS

During the year, the Museum began the construction of the new Michal and Renata Hornstein Pavilion for Peace, the cost of which is estimated at an amount of $21,200,000. As at March 31, 2014, the commitments related to the construction of this pavilion total $5,075,000 and the minimum payments required for the next years are as follows:

2015	$4,032,700
2016	$1,043,000

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, to be a related organization, as certain members of the Museum's Board of Trustees are ex-officio members of the Board of Trustees of the Foundation.

The Foundation, incorporated on March 24, 1994, under Part III of the *Companies Act* (Québec), is a registered charity. The Foundation is mainly involved in soliciting and receiving donations, bequests and other contributions on behalf of the Museum and administering its funds. In addition, the Museum has entrusted the Foundation with the management of certain investments.

The Foundation organizes and manages fund-raising campaigns. From these campaigns, the Museum recorded donations totalling $4,218,864 ($3,880,217 in 2013), of which a portion of $2,055,884 ($2,690,769 in 2013) is presented in "Donations from the Foundation," $770,719 ($669,971 in 2013) is presented in "Donations and sponsorships," $50,000 ($7,064 in 2013) is presented in "Miscellaneous revenues," $1,337,261 ($512,413 in 2013) is presented in "Deferred contributions," and $5,000 (nil in 2013) as endowment contribution. From all these donations, $427,434 ($307,564 in 2013) were for the acquisition of works of art, $343,520 ($726,110 in 2013) to support educational activities, $1,399,340 ($1,244,004 in 2013) for exhibitions, $711,310 ($863,785 in 2013) to support the Museum's day-to-day operations and for specific projects and $1,337,261 ($738,754 in 2013) for the realization of the Claire and Marc Bourgie Pavilion and the Michal and Renata Hornstein Pavilion for Peace.

Also, the Foundation has to repay the expenses assumed by the Museum for the Foundation. An amount of $422,742 ($279,790 in 2013) is included in "Miscellaneous revenues."

VOLUNTEER ASSOCIATION OF THE MONTREAL MUSEUM OF FINE ARTS

The Volunteer Association of the Montreal Museum of Fine Arts (the "Association") is a separate not-for-profit entity incorporated under Part III of the *Companies Act* (Québec). The purpose of the Association is to organize public fundraising events for the benefit of the Museum.

The Association made a $950,000 donation ($1,000,000 in 2013) to the Museum. From this donation, an amount of $950,000 ($900,000 in 2013) is presented in "Donations and sponsorships" and nil ($50,000 in 2013) is presented in "Deferred contributions." As at March 31, 2014, an amount of $950,000 ($200,000 in 2013) is included in accounts receivable.

12. FINANCIAL INSTRUMENTS

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

	2014	2013
	$	$
Cash	**124,024**	110,126
Money Market	**191,752**	37,424
Canadian bonds	**4,097,648**	3,961,132
International bonds	**17,692**	—
Canadian Equity Securities	**7,482,932**	5,167,529
U.S. and International Equity Securities	**3,365,842**	2,601,358
Canadian Bond Pooled Fund	**343,675**	—
Canadian Equity Pooled Fund	**312,230**	347,529
U.S. and International Equity Pooled Fund	**96,730**	2,070,191
	16,032,525	14,295,289

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.

INTEREST RATE RISK

In its investment portfolio, the Museum holds interests in bond mutual funds. The bonds in these mutual funds bear interest at fixed rates. Consequently, a change in market interest rates will affect the fair value of the bond mutual funds.

Interest rate risk related to long-term debt is judged to be low, as most of the debt (including interest payments) is subsidized by the Government of Quebec and the non-subsidized debt bears interest at a fixed rate.

CURRENCY RISK

In its investment portfolio, the Museum holds interests in U.S. and international securities and in mutual funds invested in U.S. and international securities. Consequently, a currency fluctuation will have an impact on the market value of these investments. Also, accounts payable and accrued liabilities on the statement of financial position include an amount of $145,986 ($36,694 as at March 31, 2013), denominated in euros and an amount of $12,916 ($150,830 as at March 31, 2013), denominated in U.S. dollars, and cash include an amount of $909,072 ($517,337 as at March 31, 2013), 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 153 years or so of its existence, assembled one of the most significant and eclectic 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 $733,241 ($521,909 in 2013).

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MARCH 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Trustees of The Montreal Museum of Fine Arts Foundation

We have audited the financial statements of The Montreal Museum of Fine Arts Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2014, 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.

RESTATED COMPARATIVE INFORMATION

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that certain comparative information for the year ended March 31, 2013, has been restated.

Deloitte LLP[1]

August 1, 2014

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

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014

		Restricted Funds						Total	
	General Fund	Pavilions Fund	Desmarais and other Exhibition Fund	Jarislowsky Chair	Acquisition Fund	Educational Activities Fund	Total	**2014**	2013
	$	$	$	$	$	$		$	$
Revenue									
Contributions	**2,798,124**	**2,328,395**	**195**	**2,000,000**	**401,542**	**687,750**	**5,417,882**	**8,216,006**	4,675,161
Interest and dividends	**56,080**	**254,674**	**408,941**	**4,267**	**20,805**	**21,849**	**710,536**	**766,616**	619,237
Change in realized fair value of investments	—	**658,966**	**1,030,034**	**34**	**52,698**	**55,309**	**1,797,041**	**1,797,041**	355,800
Change in unrealized fair value of investments	**76,335**	**726,548**	**1,192,835**	**36,712**	**60,477**	**63,602**	**2,080,174**	**2,156,509**	1,189,567
	2,930,539	**3,968,583**	**2,632,005**	**2,041,013**	**535,522**	**828,510**	**10,005,633**	**12,936,172**	6,839,765
Expenses									
Donations to the Museum	**2,729,590**	**415,800**	**724,080**	—	**420,834**	**351,302**	**1,912,016**	**4,641,606**	4,160,008
Investment management fees and safekeeping charges	—	**53,178**	**86,539**	—	**4,397**	**4,620**	**148,734**	**148,734**	127,798
Financial expenses	**4,345**	—	—	—	—	—	—	**4,345**	4,947
	2,733,935	**468,978**	**810,619**	—	**425,231**	**355,922**	**2,060,750**	**4,794,685**	4,292,753
Excess of revenue over expenses	**196,604**	**3,499,605**	**1,821,386**	**2,041,013**	**110,291**	**472,588**	**7,944,883**	**8,141,487**	2,547,012

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2014

		Restricted Funds								Total	
	General Fund	Pavilions Fund with clause	Desmarais and other Exhibition Fund with clause	Jarislowsky Chair with clause	Acquisition Fund		Educational Activities Fund		Total	**2014**	2013
					With clause	Without clause	With clause	Without clause			
	$	$	$	$	$	$	$	$	$	$	$
Net assets, beginning of year											
Net assets, as previously reported	**(455,099)**	**8,431,704**	**14,498,063**	—	**2,859,496**	**694,456**	**772,339**	**513,795**	**27,769,853**	**27,314,754**	24,767,742
Restatement (Note 2)	**(875,000)**	—	—	—	—	—	—	—	—	**(875,000)**	(875,000)
Net asset restated	**(1,330,099)**	**8,431,704**	**14,498,063**	—	**2,859,496**	**694,456**	**772,339**	**513,795**	**27,769,853**	**26,439,754**	23,892,742
Excess of revenue over expenses	**196,604**	**3,499,605**	**1,821,386**	**2,041,013**	**22,888**	**87,403**	**108,607**	**363,981**	**7,944,883**	**8,141,487**	2,547,012
Net assets, end of year	**(1,133,495)**	**11,931,309**	**16,319,449**	**2,041,013**	**2,882,384**	**781,859**	**880,946**	**877,776**	**35,714,736**	**34,581,241**	26,439,754
*Consisting of:											
Endowments	—	—	—	**2,000,000**	—	—	—	—	**2,000,000**	**2,000,000**	—
Restricted, with clause	—	**11,931,309**	**16,319,449**	**41,013**	**2,882,384**	—	**880,946**	—	**32,055,101**	**32,055,101**	26,561,602
Restricted, without clause	—	—	—	—	—	**781,859**	—	**877,776**	**1,659,635**	**1,659,635**	1,208,251
Unrestricted	**(1,133,495)**	—	—	—	—	—	—	—	—	**(1,133,495)**	(1,330,099)
	(1,133,495)	**11,931,309**	**16,319,449**	**2,041,013**	**2,882,384**	**781,859**	**880,946**	**877,776**	**35,714,736**	**34,581,241**	26,439,754

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

		Restricted Funds						Total	
	General Fund	Pavilions Fund	Desmarais and other Exhibition Fund	Jarislowsky Chair	Acquisition Fund	Educational Activities Fund	Total	**2014**	2013
	$	$	$	$	$	$	$	$	$
Assets									(Restated Note 2)
Current assets									
Cash	**1,659,511**	—	—	—	—	—	—	**1,659,511**	1,193,196
Due from the Museum	—	—	—	—	**2,840,201**	—	**2,840,201**	**2,840,201**	2,840,201
Interfund balances	—	**115,918***	**15,877***	—	**2,299***	**884,302***	**1,018,396***	—	—
	1,659,511	**115,918**	**15,877**	—	**2,842,500**	**884,302**	**3,858,597**	**4,499,712**	4,033,397
Investments (Note 4)	**1,141,933**	**11,815,391**	**16,303,572**	**2,041,013**	**821,743**	**874,420**	**31,856,139**	**32,998,072**	25,519,094
	2,801,444	**11,931,309**	**16,319,449**	**2,041,013**	**3,664,243**	**1,758,722**	**35,714,736**	**37,497,784**	29,552,491
Liabilities									
Current liabilities									
Due to the Museum	**2,041,543**	—	—	—	—	—	—	**2,041,543**	2,237,737
Interfund balances	**1,018,396***	—	—	—	—	—	—	—	—
Deferred contributions – restricted 10 years – Mécénat Placement Culture Program (Note 6)	**875,000**	—	—	—	—	—	—	**875,000**	875,000
	3,934,939	—	—	—	—	—	—	**2,916,543**	3,112,737
Net assets									
Endowments (Note 7)	—	—	—	**2,000,000**	—	—	**2,000,000**	**2,000,000**	—
Restricted, with clause	—	**11,931,309**	**16,319,449**	**41,013**	**2,882,384**	**880,946**	**32,055,101**	**32,055,101**	26,561,602
Restricted, without clause	—	—	—	—	**781,859**	**877,776**	**1,659,635**	**1,659,635**	1,208,251
Unrestricted	**(1,133,495)**	—	—	—	—	—	—	**(1,133,495)**	(1,330,099)
	(1,133,495)	**11,931,309**	**16,319,449**	**2,041,013**	**3,664,243**	**1,758,722**	**35,714,736**	**34,581,241**	26,439,754
	2,801,444	**11,931,309**	**16,319,449**	**2,041,013**	**3,664,243**	**1,758,722**	**35,714,736**	**37,497,784**	29,552,491

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

Approved by the Board

Martin Thibodeau
President
Trustee

Brian M. Levitt
Trustee

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

	2014	2013
	$	$
Operating activities		
Excess of revenue over expenses	**8,141,487**	2,547,012
Adjustments for:		,
Change in realized fair value of investments	**(1,797,041)**	(355,800)
Change in unrealized fair value of investments	**(2,156,509)**	(1,189,567)
	4,187,937	1,001,645
Net change in non-cash operating working capital items		
Accounts receivable	**—**	150,000
Due to the Museum	**(196,194)**	386,619
	3,991,743	1,538,264
Financing activities		
Net change in investments	**(3,525,428)**	(979,754)
Increase in cash	**466,315**	558,510
Cash, beginning of year	**1,193,196**	634,686
Cash, end of year	**1,659,511**	1,193,196

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

1. STATUS AND NATURE OF ACTIVITIES

The Montreal Museum of Fine Arts Foundation (the "Foundation") is incorporated as a not-for-profit organization under Part III of the *Companies Act* (Quebec). The Foundation is a registered charity and a public foundation within the meaning of the *Income Tax Act*. The Foundation is involved mainly in soliciting and collecting donations, bequests and other contributions on behalf of the Montreal Museum of Fine Arts (the "Museum") and, in administering its funds. In addition, under Article 4 of the agreement between the Foundation and the Museum, the Museum has entrusted the Foundation with the administration of certain investments. These investments are excluded from the Foundation's financial statements.

2. RESTATEMENT

To reflect the Mécénat Placements Culture Program requirements, the Foundation has modified revenue recognition related to this program. Therefore, the financial statements have been restated as follows:

	Amount previously reported for the year ended March 31, 2013	Restatement	Restated amount for the year ended March 31, 2013
	$	$	$
Statement of financial position			
Deferred contribution – Restricted 10 years – Mécénat Placements Culture Program	—	875,000	875,000
Net assets – unrestricted	(455,099)	(875,000)	(1,330,099)

3. SIGNIFICANT ACCOUNTING POLICIES

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

RESTRICTED FUND ACCOUNTING

The Foundation follows the restricted fund method, whereby resources are classified into funds in accordance with specified activities or objectives.

I GENERAL FUND
The General Fund reports the assets and liabilities, revenue and expenses related to the Foundation's day-to-day operating activities as well as any other unrestricted fund item or restricted fund item, the materiality of which does not justify separate reporting.

II RESTRICTED FUNDS
Each restricted fund reports its assets and liabilities, revenue and expenses in accordance with its respective activities and purpose.

The funds report the allocation of restricted donations with a minimum ten-year conservation clause and those with no similar clause separately. These donations are recorded in the statement of operations in the fund corresponding to their restriction.

The Foundation contributes to funding the Museum's operations through the earnings on the investments in accordance with the objective of each fund.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are measured at fair value at the statement of financial position date. The fair value of investments is based on closing bid prices. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses, are disclosed in the statement of operations.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decrease and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in statement of operations in the period the reversal occurs.

CONTRIBUTED SERVICES

Volunteers contribute a significant amount of time each year to the Foundation and the Museum's resources and premises are made available to the Foundation. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

INVESTMENT INCOME

Investment income is recognized as revenue when earned.

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

4. INVESTMENTS

	2014	2013
	$	$
Cash	**238,356**	188,760
Money Market	**369,019**	64,147
Canadian bonds	**7,885,740**	6,789,554
U.S and International bonds	**34,043**	—
Canadian Bond Pooled Fund	**661,389**	—
Canadian Equity Securities	**14,400,561**	8,857,377
U.S. and International Equity Securities	**6,477,412**	4,458,843
Canadian Equity Pooled Fund	**600,872**	595,680
International Equity Pooled Fund	**186,154**	3,548,399
Foundation of Greater Montreal Fund	**2,144,526**	1,016,334
	32,998,072	25,519,094

5. RELATED PARTY TRANSACTIONS

Donations made by the Foundation to the Museum are presented separately in the statement of operations.

The due from Museum has no specific terms of repayment and interest.

The Museum pays certain expenses of the Foundation. These expenses are reimbursed to the Museum and are presented as an increase in donations to the Museum and amount to $422,742 ($279,790 in 2013).

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

6. MÉCÉNAT PLACEMENTS CULTURE PROGRAM – CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC

PARTICIPATION BEFORE OCTOBER 1, 2013

The Foundation participated in the Mécénat Placements Culture program during fiscal years 2007-2008 and 2009-2010. For this purpose, fund management agreements were entered into with the Foundation of Greater Montreal (the "FGM").

In each of these fiscal years, the Foundation deposited an amount of $250,000, for a total of $500,000, with the FGM in a 10-year restricted fund account. These amounts came from external donations and are presented under *Deferred contributions – restricted 10 years – Mécénat Placements Culture program* of the General Fund.

In each of these fiscal years, the Foundation received matching grants in an amount of $250,000, for a total of $500,000, which were also deposited with the FGM. For each of these two amounts of $250,000, an amount of $62,500 (25%), for a total of $125,000, was deposited in a 2-year restricted fund account and the remaining $375,000 (75%) was added to the 10-year restricted fund account. As at March 31, 2013 and 2012, the two amounts of $62,500, for a total of $125,000, are reported in net assets, as grant income was recognized once the two-year restriction had expired. The two amounts of $187,500, for a total of $375,000, are presented under *Deferred contributions – restricted 10 years – Mécénat Placements Culture program* of the General Fund.

Investment income is recognized annually in the statement of operations under the investment income items. The balance of the 2-year restricted fund account as at March 31, 2014, was $84,213 ($74,956 in 2013). Since the opening of the account, a total of $125,000 in deposits has been made into the account, investment returns have increased its value by $21,713, and the Foundation has made a total of $62,500 in withdrawals. The balance of the 10-year restricted fund account related to the General Fund was $1,057,720 as at March 31, 2014 ($941,379 in 2013). Since the opening of the account, a total of $875,000 in deposits has been made into the account, investment returns have increased its value by $258,749, and the Foundation has made a total of $76,029 in withdrawals.

PARTICIPATION AFTER OCTOBER 1, 2013

As part of Phase 1 of the Mécénat Placements Culture program, the Foundation deposited two amounts of $500,000 during its 2013-2014 fiscal year. The deposits were made with the FGM in the 10-year restricted fund account. The first $500,000 came from donations received in fiscal 2012-2013 and will allow the Foundation to obtain a matching grant of $250,000 from the CALQ as part of the program's transitional measures. The second $500,000 came from donations received in fiscal 2013-2014 and an application for a matching grant will be made to the CALQ in fiscal 2014-2015.

The two $500,000 amounts came from donations with external restrictions and are recognized in restricted net assets with clause. These donations have been recognized as revenue in their respective fiscal years in the Pavilions Fund.

7. RESTRICTED FUNDS – JARISLOWSKY CHAIR

To respect the will of the donor, the Foundation must add to the initial capital received of $2,000,000, an amount of $1,500,000 before June 15, 2015. These funds have to be maintained in perpetuity. If this condition is not met, the donor may require the repayment of his initial contribution.

8. FINANCIAL INSTRUMENTS

Due to its financial assets and liabilities, the Foundation is exposed to the following risks related to its use of financial instruments:

MARKET RISK

Market risk is the risk to which investments are exposed that is caused by changes in interest rates, stock exchange indicators and the level of volatility of these rates.

CREDIT RISK

The credit risk is due to the fact that the Foundation owns bonds. Therefore, there is a risk that the bond issuer will be unable to pay its obligations towards the Foundation, and this would have an impact on the assets of the Foundation.

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