

Financial statements of

**THE McCORD MUSEUM OF
CANADIAN HISTORY**

March 31, 2007

THE McCORD MUSEUM OF CANADIAN HISTORY

Table of contents

Auditors' report	1
Statement of operations and changes in fund balances.....	2
Balance sheet	3
Statement of cash flows	4
Notes to the financial statements	5-11

Auditors' report

To the Board of Trustees of
The McCord Museum of Canadian History

We have audited the balance sheet of The McCord Museum of Canadian History as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As in the case of similar organizations, the Museum derives part of its revenue from donations which are not susceptible of complete audit verification. Accordingly, our verification of revenue from these sources was limited to substantiating the amounts recorded in the books of the Museum and we were unable to determine whether any adjustments might be necessary to fundraising revenue with the resulting effect on deficiency of revenue over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, had donations referred to in the preceding paragraph been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

Chartered Accountants

May 22, 2007

THE McCORD MUSEUM OF CANADIAN HISTORY

Statement of operations and changes in fund balances

year ended March 31, 2007

	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Total	
					2007	2006
	\$	\$	\$	\$	\$	\$
Revenue						
Government of Quebec (Note 3)	1,558,846	-	102,980	-	1,661,826	1,354,143
Government of Canada (Note 4)	143,741	529,697	-	-	673,438	355,703
Conseil des arts de Montréal	64,101	-	-	-	64,101	69,500
Ville de Montréal	55,000	-	-	-	55,000	24,400
Foundation grants	801,008	10,000	1,992,376	-	2,803,384	1,023,661
Other grants	9,329	29,225	-	-	38,554	86,634
Contributed services (Note 2)	148,514	-	-	-	148,514	145,589
Auxiliary services	359,900	-	-	-	359,900	298,331
Investment income	20,313	-	-	-	20,313	22,800
Admissions	295,707	-	-	-	295,707	243,221
Fundraising	364,102	-	800,000	-	1,164,102	387,776
Sponsorship	247,769	-	7,116	-	254,885	350,016
Rental	124,433	-	-	-	124,433	112,285
Other	42,564	-	-	-	42,564	60,062
	4,235,327	568,922	2,902,472	-	7,706,721	4,534,121
Expenses						
Collections	1,078,189	541,974	-	-	1,620,163	1,377,176
Building and security	853,425	-	-	-	853,425	852,871
Administration	865,934	-	-	-	865,934	757,762
Exhibitions	660,333	-	-	-	660,333	616,821
Marketing	195,503	-	-	-	195,503	180,923
Education programs	360,853	-	-	-	360,853	274,513
Communications	456,827	-	-	-	456,827	466,831
Development	242,765	26,948	-	-	269,713	407,845
Auxiliary services	253,017	-	-	-	253,017	217,173
Interest on long-term debt	20,298	-	62,701	-	82,999	66,494
Amortization of capital assets	-	-	406,263	-	406,263	457,342
	4,987,144	568,922	468,964	-	6,025,030	5,675,751
Excess (deficiency) of revenue over expenses before the undernoted	(751,817)	-	2,433,508	-	1,681,691	(1,141,630)
Endowment investment income	691,777	-	-	-	691,777	716,074
Endowment administration expenses	(52,927)	-	-	-	(52,927)	(52,710)
Excess (deficiency) of revenue over expenses	(112,967)	-	2,433,508	-	2,320,541	(478,266)
Fund balances, beginning of year	(294,216)	-	838,171	10,273,890	10,817,845	11,296,111
Endowment contributions	-	-	-	6,000	6,000	-
Interfund transfers (Note 5)	(372,945)	-	196,595	176,350	-	-
Fund balances, end of year	(780,128)	-	3,468,274	10,456,240	13,144,386	10,817,845

THE McCORD MUSEUM OF CANADIAN HISTORY

Balance sheet

as at March 31, 2007

	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Total	
					2007	2006
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash	48,440	-	-	692,933	741,373	759,276
Amounts receivable	127,979	-	-	-	127,979	127,317
Grants receivable	66,070	189,738	141,905	-	397,713	213,730
Due from (to) other funds	104,286	(153,282)	42,298	6,698	-	-
Inventory	116,488	-	-	-	116,488	110,003
Deposit (Note 11)	235,750	-	-	-	235,750	-
Prepaid expenses	54,817	-	-	-	54,817	42,924
	753,830	36,456	184,203	699,631	1,674,120	1,253,250
Grant receivable	204,283	-	745,457	-	949,740	1,078,312
Investments at cost (Note 12)	-	-	-	9,756,609	9,756,609	9,715,649
Deposit	-	-	-	-	-	100,000
Capital assets (Note 6)	-	-	4,536,610	-	4,536,610	2,238,278
	958,113	36,456	5,466,270	10,456,240	16,917,079	14,385,489
Liabilities						
Current liabilities						
Bank indebtedness (Note 7)	345,018	-	-	-	345,018	-
Accounts payable and accrued liabilities	782,770	9,106	-	-	791,876	709,131
Deferred revenue	355,100	27,350	43,598	-	426,048	153,416
Current portion of long-term debt (Note 8)	51,070	-	140,605	-	191,675	908,440
	1,533,958	36,456	184,203	-	1,754,617	1,770,987
Deferred revenue	-	-	-	-	-	100,000
Long-term debt (Note 8)	204,283	-	745,457	-	949,740	296,550
Deferred contributions (Note 9)	-	-	1,068,336	-	1,068,336	1,400,107
	1,738,241	36,456	1,997,996	-	3,772,693	3,567,644
Fund balances						
Invested in capital assets	-	-	3,468,274	-	3,468,274	838,171
Externally restricted (Note 10)	-	-	-	10,235,074	10,235,074	10,229,074
Internally restricted (Note 10)	-	-	-	221,166	221,166	44,816
Unrestricted	(780,128)	-	-	-	(780,128)	(294,216)
	(780,128)	-	3,468,274	10,456,240	13,144,386	10,817,845
	958,113	36,456	5,466,270	10,456,240	16,917,079	14,385,489

On behalf of the Board of Trustees

..... Trustee

..... Trustee

THE McCORD MUSEUM OF CANADIAN HISTORY

Statement of cash flows

year ended March 31, 2007

	2007	2006
	\$	\$
Cash from operating activities		
Excess (deficiency) of revenue over expenses	2,320,541	(478,266)
Adjustments for:		
Capital asset donation	(800,000)	-
Amortization of capital assets	406,263	457,342
Amortization of deferred contributions	(398,771)	(338,537)
Net change in non-cash working capital items	56,354	(344,593)
Net cash from (used in) operating activities	1,584,387	(704,054)
Financing and investing activities		
Purchase of capital assets	(1,904,595)	(642,839)
Deferred contributions	65,000	186,898
Increase in deposit, net	(135,750)	-
Endowment contributions	6,000	-
Change in investments	(40,960)	620,030
Proceeds from grant receivable	126,572	145,915
Issuance of long-term debt	128,100	329,500
Repayment of long-term debt	(191,675)	(145,915)
Net cash (used in) from financing and investing activities	(1,947,308)	493,589
Net decrease in cash and cash equivalents	(362,921)	(210,465)
Cash and cash equivalents, beginning of year	759,276	969,741
Cash and cash equivalents, end of year	396,355	759,276
Comprised of:		
Cash	741,373	759,276
Bank indebtedness	(345,018)	-
	396,355	759,276
Non-cash transaction		
Increase of grants receivable and deferred contributions	2,000	387,486

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

1. Status and nature of activities

The Museum was incorporated under the name McCord Museum on May 12, 1980 under Part III of the *Companies Act* (Québec) as a not-for-profit organization and is a registered charity under the *Income Tax Act*. On March 28, 1988, its name was changed to The McCord Museum of Canadian History.

The McCord Museum of Canadian History is a public research and teaching museum dedicated to the preservation, study, diffusion and appreciation of Canadian history.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

Fund accounting

The Museum follows the deferral method of accounting for contributions.

The Operating Fund accounts for the Museum's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Restricted Fund records funds for specific purposes other than operations as defined by the grantor.

The Capital Assets Fund accounts for the Museum's capital assets, either purchased or donated, and which are used for all of its operations.

The Endowment Fund records gifts received for endowment purposes.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred or the related capital assets are amortized. Unexpended funds are recorded on the balance sheet as deferred revenue or deferred contributions.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as direct increases in the Endowment Fund balance.

Investment income is recognized as revenue when earned. Investment income earned on the Museum's endowments is available for use in operations or other activities subject to approval by the Board of Trustees and is reported as income of the Operating Fund. Each year, the excess of actual endowment income over amounts approved for use in operations is reinvested, or transferred back, to the Endowment Fund. In years where there is a deficiency, this amount is transferred to the Operating Fund from the cumulative excess.

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

2. Significant accounting policies (continued)

Contributed services

McGill University provides, at its expense, the services of certain employees. The amount of their salaries and fringe benefits is \$148,514 (\$145,589 in 2006) and is reported as both a revenue and an expense in the Operating Fund.

The Museum rents the building at 690 Sherbrooke Street West from McGill University for a period of 99 years ending in the year 2086. The rent is \$1 per annum.

Volunteers contribute numerous hours each year to the Museum to help it carry out its service delivery activities. Due to the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is reported in the Capital Assets Fund and is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Furniture and fixtures	8 years
Leasehold improvements	10 years
Building	25 years

Collection

The collection consists of items and artifacts relating to Canadian history. The majority of these items are held as part of a custodial agreement between McGill University and the Museum whereby the University conferred upon the Museum the custody and care of its collection.

Due to the difficulty in determining fair value, the assets of the collection are not recognized in the Museum's balance sheet.

Additions to the collection received from gifts in-kind are not reflected in the financial statements. The estimated fair value of such items received during the year is \$349,055 (\$666,459 in 2006).

Cash contributions received for the purchase of items for the Museum's collection are recognized in revenue when received. There were no purchases of collection items this year (nil in 2006).

Direct costs incurred for the preservation, restoration and management of the collection during the year are \$1,055,450 (\$1,043,566 in 2006).

Inventory

Inventory of goods held for resale is valued at the lower of cost and net realizable value.

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

2. Significant accounting policies (continued)

Due from (to) other funds

Due from (to) other funds comprise interfund advances which are non-interest bearing and without specific terms of repayment.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Revenue - Government of Quebec

	<u>2007</u>	<u>2006</u>
	\$	\$
Ministère de la Culture et des Communications		
Soutien aux institutions muséales	1,497,100	1,197,100
Soutien aux équipements culturels	123,078	105,243
Archives nationales du Québec	29,652	32,652
Soutien à la concertation régionale et locale	7,996	12,500
Délégation générale du Québec	4,000	-
Fonds de stabilisation et de consolidation des arts et de la culture du Québec	-	6,648
	1,661,826	1,354,143

4. Revenue - Government of Canada

	<u>2007</u>	<u>2006</u>
	\$	\$
Canadian Heritage		
Canadian Heritage Information Network	60,000	159,656
Canadian Culture Online Funding Programs	506,579	116,269
Canadian Arts and Heritage Sustainability Program	26,948	69,778
Enhancement of Official Languages	-	10,000
Economic Development Agency of Canada	57,750	-
Social Sciences and Humanities Research Council of Canada	19,700	-
Human Resources and Social Development of Canada	2,461	-
	673,438	355,703

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

5. Interfund transfers

The Operating Fund transferred \$196,595 (\$68,455 in 2006) to the Capital Assets Fund, representing the acquisition of capital assets from operating resources.

The Operating Fund transferred \$176,350 to the Endowment Fund (received \$149,916 from the Endowment Fund in 2006), representing the difference in the current year's actual endowment investment income earned relative to the amount approved for spending of \$461,600 (\$813,280 in 2006).

6. Capital assets

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	202,631	126,871	75,760	93,946
Furniture and fixtures	337,458	239,205	98,253	127,270
Leasehold improvements	2,721,710	1,628,098	1,093,612	1,363,782
Building	1,284,589	635,604	648,985	539,280
Land	2,620,000	-	2,620,000	114,000
	7,166,388	2,629,778	4,536,610	2,238,278

7. Bank indebtedness

The Museum has an authorized unsecured line of credit of \$500,000, bearing interest at the prime rate, which is 6% as at March 31, 2007.

8. Long-term debt

	2007	2006
	\$	\$
Bank loan, bearing interest at 6.51%, amortized over 5 years, due March 31, 2012, and secured by a grant receivable of the same amount from the Government of Quebec, advanced on the same basis as the repayment of principal and interest ⁽¹⁾	729,575	875,490
Bank loan, bearing interest at 5.75%, amortized over 10 years, due October 31, 2010, and secured by a grant receivable of the same amount from the Government of Quebec, advanced on the same basis as the repayment of principal and interest	411,840	329,500
	1,141,415	1,204,990
Current portion	191,675	908,440
	949,740	296,550

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

8. Long-term debt (continued)

- (1) At the time of the grant, the proceeds were allocated according to their use for operations or capital asset acquisitions. As a result, 35% of the debt and corresponding grant receivable is accounted for in the Operating Fund and 65% is accounted for in the Capital Assets Fund.

Principal repayments required on long-term debt and the related grants receivable in the forthcoming years are as follows:

	Long-term debt repayments	Grants receivable
	\$	\$
2008	191,675	191,675
2009	191,675	191,675
2010	191,675	191,675
2011	420,475	191,675
2012	145,915	191,675
Thereafter	-	183,040
	<u>1,141,415</u>	<u>1,141,415</u>

9. Deferred contributions

Deferred contributions in the Capital Assets Fund represent the unamortized portions of restricted contributions for the purchase of capital assets. The deferred contributions are brought into income on the same basis as the capital assets purchased are being amortized.

The activity for the year in the deferred contributions balance is as follows:

	2007	2006
	\$	\$
Opening balance	1,400,107	1,164,260
Capital funding contributions received	67,000	574,384
Amount amortized to revenue	(398,771)	(338,537)
Closing balance	<u>1,068,336</u>	<u>1,400,107</u>

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

10. Restrictions on fund balances

Major categories of external and internal restrictions on net assets of Endowment Fund are as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Externally restricted funds		
Endowments	10,235,074	10,229,074
Internally restricted funds		
Reinvested endowment income ⁽¹⁾	207,765	32,225
Designated endowment ⁽²⁾	13,401	12,591
	221,166	44,816

⁽¹⁾ Investment income earned on the Museum's endowments is available for use in operations or other activities subject to approval by the Board of Trustees. Reinvested endowment income consists of the accumulated income generated from endowments less accumulated approved uses of those funds paid out.

⁽²⁾ The designated endowment consists of a donation which management has formally established as an endowment for recurring use in the area of costumes and textiles.

11. Commitment

The Museum has committed to the acquisition of the Winkworth Collection. The deposit represents approximately half of the acquisition costs. Final payment is due in June 2007.

THE McCORD MUSEUM OF CANADIAN HISTORY

Notes to the financial statements

year ended March 31, 2007

12. Financial instruments

The Museum holds and issues financial instruments such as investments, grants receivable and debt instruments. The investments are made up of mutual funds, which are primarily publicly traded shares, bonds and debentures.

Fair value

At March 31, 2007 and 2006, the carrying value of all financial instruments approximates fair value, with the following exceptions:

(a) Investments

The fair value of investments, based on quoted market prices at the reporting date, is \$10,986,477 (\$10,532,199 in 2006).

(b) Long-term debt and corresponding grants receivable

The determination of the fair values of these items is not practicable, given the specific nature of these items.

Credit risk

The Museum has determined that credit risk is minimal, given that the counterparties with which it conducts business are mainly government agencies.

13. Comparative figures

Certain prior year figures have been reclassified to comply with the current year presentation.