

*Financial statements of*

**THE McCORD MUSEUM OF  
CANADIAN HISTORY**

*March 31, 2006*

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**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





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## 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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants

May 19, 2006

Member of  
Deloitte Touche Tohmatsu

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**THE McCORD MUSEUM OF CANADIAN HISTORY**  
**Statement of operations and changes in fund balances**  
**year ended March 31, 2006**

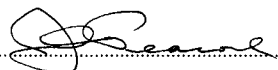
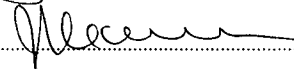
	Operating	Restricted	Capital	Endowment	Total	
	Fund	Fund	Assets	Fund	2006	2005
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Québec Government (Note 3)	1,264,521	7,652	81,970	-	1,354,143	1,307,523
Canadian Government (Note 4)	10,000	345,703	-	-	355,703	718,330
Conseil des arts de Montréal	69,500	-	-	-	69,500	82,500
Ville de Montréal	24,400	-	-	-	24,400	5,600
Foundation grants	730,989	-	292,672	-	1,023,661	1,911,948
Other grants	62,734	23,900	-	-	86,634	3,777
Contributed services (Note 2)	145,589	-	-	-	145,589	142,021
Auxiliary services	298,331	-	-	-	298,331	357,518
Investment income	22,800	-	-	-	22,800	22,754
Admissions	243,221	-	-	-	243,221	323,780
Fundraising	387,776	-	-	-	387,776	413,427
Sponsorship	342,900	-	7,116	-	350,016	346,821
Rental	112,285	-	-	-	112,285	161,728
Other	60,062	-	-	-	60,062	43,228
	<b>3,775,108</b>	<b>377,255</b>	<b>381,758</b>	<b>-</b>	<b>4,534,121</b>	<b>5,840,955</b>
<b>Expenses</b>						
Collections	1,069,698	307,478	-	-	1,377,176	1,959,822
Building and security	852,871	-	-	-	852,871	906,985
Administration	757,762	-	-	-	754,762	742,557
Exhibitions	616,821	-	-	-	616,821	690,932
Marketing	180,923	-	-	-	180,923	230,696
Education programs	274,513	-	-	-	274,513	269,371
Communications	466,831	-	-	-	466,831	465,805
Development	338,068	69,777	-	-	407,845	373,454
Auxiliary services	217,173	-	-	-	217,173	277,424
Interest on long-term debt	23,273	-	43,221	-	66,494	75,992
Amortization of capital assets	-	-	457,342	-	457,342	417,443
	<b>4,797,933</b>	<b>377,255</b>	<b>500,563</b>	<b>-</b>	<b>5,675,751</b>	<b>6,410,481</b>
<b>Deficiency of revenue over expenses before the undernoted</b>	<b>(1,022,825)</b>	<b>-</b>	<b>(118,805)</b>	<b>-</b>	<b>(1,141,630)</b>	<b>(569,526)</b>
Endowment investment income	716,074	-	-	-	716,074	513,479
Endowment administration expenses	(52,710)	-	-	-	(52,710)	(52,013)
<b>Deficiency of revenue over expenses</b>	<b>(359,461)</b>	<b>-</b>	<b>(118,805)</b>	<b>-</b>	<b>(478,266)</b>	<b>(108,060)</b>
Fund balances, beginning of year	(16,216)	8,386	888,521	10,423,806	11,304,497	8,912,557
Endowment contributions	-	-	-	-	-	2,500,000
Interfund transfers (Note 5)	81,461	-	68,455	(149,916)	-	-
<b>Fund balances, end of year</b>	<b>(294,216)</b>	<b>8,386</b>	<b>838,171</b>	<b>10,273,890</b>	<b>10,826,231</b>	<b>11,304,497</b>

# THE McCORD MUSEUM OF CANADIAN HISTORY

## Balance sheet as at March 31, 2006

	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Total	
					2006	2005
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
<b>Current assets</b>						
Cash	202,159	-	-	557,117	759,276	969,741
Amounts receivable	127,317	-	-	-	127,317	171,825
Grants receivable	52,071	28,066	133,593	-	213,730	195,851
Due from (to) other funds	(48,665)	851	46,690	1,124	-	-
Inventory	110,003	-	-	-	110,003	102,282
Prepaid expenses	42,924	-	-	-	42,924	44,841
	485,809	28,917	180,283	558,241	1,253,250	1,484,540
Grant receivable	255,353	-	822,959	-	1,078,312	875,490
Investments at cost (Note 11)	-	-	-	9,715,649	9,715,649	10,335,679
Deposit (Note 10)	-	-	100,000	-	100,000	100,000
Capital assets (Note 6)	-	-	2,238,278	-	2,238,278	2,052,781
	741,162	28,917	3,341,520	10,273,890	14,385,489	14,848,490
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	702,388	6,743	-	-	709,131	709,186
Deferred revenue	26,567	13,788	104,675	-	145,030	549,142
Current portion of long-term debt (Note 7)	306,423	-	602,017	-	908,440	145,915
	1,035,378	20,531	706,692	-	1,762,601	1,404,243
Deferred revenue	-	-	100,000	-	100,000	100,000
Long-term debt (Note 7)	-	-	296,550	-	296,550	875,490
Deferred contributions (Note 8)	-	-	1,400,107	-	1,400,107	1,164,260
	1,035,378	20,531	2,503,349	-	3,559,258	3,543,993
<b>Fund balances</b>						
Invested in capital assets	-	-	838,171	-	838,171	888,521
Externally restricted (Note 9)	-	8,386	-	10,229,074	10,237,460	10,237,460
Internally restricted (Note 9)	-	-	-	44,816	44,816	194,732
Unrestricted	(294,216)	-	-	-	(294,216)	(16,216)
	(294,216)	8,386	838,171	10,273,890	10,826,231	11,304,497
	741,162	28,917	3,341,520	10,273,890	14,385,489	14,848,490

On behalf of the Board of Trustees

  
 ..... Trustee  
  
 ..... Trustee

## THE McCORD MUSEUM OF CANADIAN HISTORY

### Statement of cash flows

year ended March 31, 2006

	2006	2005
	\$	\$
<b>Cash from operating activities</b>		
Deficiency of revenue over expenses	(478,266)	(108,060)
Adjustments for:		
Amortization of capital assets	457,342	417,443
Amortization of deferred contributions	(338,537)	(297,013)
Net change in non-cash working capital items	(344,593)	506,090
Net cash (used in) from operating activities	(704,054)	518,460
<b>Financing and investing activities</b>		
Purchase of capital assets	(642,839)	(98,903)
Deferred contributions	186,898	37,780
Increase in deposit	-	(100,000)
Increase in deferred revenue, long-term	-	100,000
Endowment contributions	-	2,500,000
Sale (purchase) of investments, net	620,030	(2,562,308)
Proceeds from grant receivable	145,915	145,915
Issuance of long-term debt	329,500	-
Repayment of long-term debt	(145,915)	(145,915)
Net cash from (used in) financing and investing activities	493,589	(123,431)
Net (decrease) increase in cash	(210,465)	395,029
Cash, beginning of year	969,741	574,712
<b>Cash, end of year</b>	<b>759,276</b>	<b>969,741</b>
Non-cash transaction		
Increase of grants receivable and deferred contributions	387,486	-

# THE McCORD MUSEUM OF CANADIAN HISTORY

## Notes to the financial statements

year ended March 31, 2006

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### 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, 2006

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### 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 \$145,589 (\$142,021 in 2005) 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 \$666,459 (\$430,707 in 2005).

Cash contributions received for the purchase of items for the Museum's collection are recognized in revenue when received. There are no purchases of collection items this year (\$259,073 in 2005).

#### *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, 2006

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#### 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 - Québec Government

	<u>2006</u>	<u>2005</u>
	\$	\$
Ministère de la Culture et des Communications		
Soutien aux institutions muséales	1,197,100	1,162,100
Soutien aux équipements culturels	105,243	75,992
Archives nationales du Québec	32,652	35,221
Soutien à la concertation régionale et locale	12,500	12,500
Fonds de stabilisation et de consolidation des arts et de la culture du Québec	6,648	19,950
Ministère de l'Emploi et de la Solidarité sociale	-	1,760
	<u>1,354,143</u>	<u>1,307,523</u>

#### 4. Revenue - Canadian Government

	<u>2006</u>	<u>2005</u>
	\$	\$
Canadian Heritage		
Canadian Heritage Information Network	159,656	225
Canadian Culture Online Funding Programs	116,269	539,680
Canadian Arts and Heritage Sustainability Program	69,778	55,934
Enhancement of Official Languages	10,000	-
Museums Assistance Program	-	86,869
Cultural Spaces Canada	-	13,735
Canadian Cultural Property Export Review Board	-	11,639
Canadian Council of Archives	-	10,248
	<u>355,703</u>	<u>718,330</u>

## THE McCORD MUSEUM OF CANADIAN HISTORY

### Notes to the financial statements

year ended March 31, 2006

#### 5. Interfund transfers

The Operating Fund transferred \$68,455 (\$61,123 in 2005) to the Capital Assets Fund, representing the acquisition of capital assets from operating resources.

The Endowment Fund transferred \$149,916 (\$68,534 in 2005) to the Operating Fund representing the current year's deficiency of the actual endowment investment net income earned relative to the amount approved for spending of \$813,280 (\$530,000 in 2005).

#### 6. Capital assets

	2006		2005	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	420,937	326,991	93,946	135,369
Furniture and fixtures	364,380	237,110	127,270	168,830
Leasehold improvements	2,826,664	1,462,882	1,363,782	1,050,362
Building	1,123,500	584,220	539,280	584,220
Land	114,000	-	114,000	114,000
	<b>4,849,481</b>	<b>2,611,203</b>	<b>2,238,278</b>	<b>2,052,781</b>

#### 7. Long-term debt

	2006	2005
	\$	\$
Bank loan, bearing interest at 6.51%, amortized over 10 years, due March 31, 2007, and secured by a grant receivable of \$875,490 (2005 - \$1,021,405) from the Government of Quebec, advanced on the same basis as the repayment of principal and interest <sup>(1)</sup>	875,490	1,021,405
Bank loan, bearing interest at 5.75%, amortized over 10 years, due October 31, 2015, and secured by a grant receivable of \$329,500 (2005 - nil) from the Government of Quebec, advanced on the same basis as the repayment of principal and interest	329,500	-
	<b>1,204,990</b>	<b>1,021,405</b>
Current portion	908,440	145,915
	<b>296,550</b>	<b>875,490</b>

# THE McCORD MUSEUM OF CANADIAN HISTORY

## Notes to the financial statements

year ended March 31, 2006

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### 7. Long-term debt (continued)

<sup>(1)</sup> 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 grants 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 next five years are as follows:

	Long-term debt repayments	Grants receivable
	\$	\$
2007	908,440*	178,865
2008	32,950	178,865
2009	32,950	178,865
2010	32,950	178,865
2011	32,950	178,865

\* Includes an amount of \$875,490 due March 31, 2007. The Museum has the intention to refinance this long-term debt.

The Museum has an authorized unsecured line of credit of \$500,000, bearing interest at the prime rate. As at March 31, 2006, the line remains undrawn.

### 8. 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:

	2006	2005
	\$	\$
Opening balance	1,164,260	1,423,493
Capital funding contributions received	574,384	37,780
Amount amortized to revenue	(338,537)	(297,013)
Closing balance	1,400,107	1,164,260

## THE McCORD MUSEUM OF CANADIAN HISTORY

### Notes to the financial statements

year ended March 31, 2006

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#### 9. Restrictions on fund balances

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

	Restricted	Endowment	Total	
	Fund	Fund	2006	2005
	\$	\$	\$	\$
Externally restricted funds				
Endowments	-	10,229,074	10,229,074	10,229,074
Restricted for collection acquisitions	8,386	-	8,386	8,386
	<u>8,386</u>	<u>10,229,074</u>	<u>10,237,460</u>	<u>10,237,460</u>
Internally restricted funds				
Reinvested endowment income <sup>(1)</sup>	-	32,225	32,225	182,946
Designated endowment <sup>(2)</sup>	-	12,591	12,591	11,786
	<u>-</u>	<u>44,816</u>	<u>44,816</u>	<u>194,732</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

#### 10. Commitment

The Museum has committed to the acquisition of additional operating space subject to the completion of specified closing conditions. Under the terms of the agreement, the Museum will be required to pay \$1.6 million in cash upon closing (scheduled for February 2007), of which a deposit of \$100,000 has already been paid in escrow.

# THE McCORD MUSEUM OF CANADIAN HISTORY

## Notes to the financial statements

year ended March 31, 2006

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### 11. 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, 2006 and 2005, 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 \$10,532,199 (\$10,668,981 in 2005).

#### (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.

### 12. Comparative figures

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